

# **THEEWATERSKLOOF MUNISIPALITEIT / MUNICIPALITY**

## **BEGROTING / BUDGET:** **2011/2012 – 2012/2013 – 2013/2014**

### **TOESPRAAK DEUR DIE UITVOERENDE BURGEMEESTER / EXECUTIVE MAYOR'S SPEECH**

Geagte Speaker, Raadslede, Amptenary, Publiek en die Pers.

Baie dankie vir die voorreg om as Burgemeester die sesde Begroting (2011 -2012 – 2013/2014) Medium Termyn Inkomste en Uitgawe Raamwerk Begroting aan die Raad voor te lê vir goedkeuring.

Dit is gepas dat ek eerstens die Raadslede bedank vir die bywoning van alle werkswinkels en sessies waar hulle die nodige insette gelewer het.

#### **1. AGTERGROND EN BEGROTINGSINVLOED**

Die proses het begin met die Goedkeuring van 'n Tyd Skedule met die voorafbepaalde Sperdatums vir die GOP en Begroting wat op 26 Augustus 2010 deur die Raad goedgekeur was. Hierdie Tyd Skedule het die Sperdatums vir die Opstel, Voorlê en Goedkeuring van die Jaarlikse Begroting, GOP en Begrotings Verwante Beleide uiteengesit.

Die volgende stap in die Begrotings Proses was die Strategiese Beplannings Werkswinkel vir Bestuur en Raadslede wat geduur het vanaf 12 tot 14 September 2010. Gedurende die werkswinkel is die Strategiese visie van die Raad geformuleer en inlyn gebring met die GOP. Publieke Deelname sessies wat gehou was gedurende November 2010 was ingesluit in die Geïntegreerde Ontwikkelingsplan. 'n GOP werkswinkel was ook gehou op 03 Desember 2010. Daar was ook vele ander faktore wat hierdie Begroting beïnvloed het soos die huidige prestasie en finansiële posisie van die munisipaliteit, spandering en diensleveringskapasiteit, Finansiële en Ekonomiese aanwysers.

Daar is ook die uitdaging om die **ewewig tussen die sosiale en ekonomiese beleggings** wat gemaak moet word om die lewens van almal binne Theewaterskloof Munisipaliteit te verbeter, te behou. Die uitdaging om volhoubare dienste te verskaf en die impak van tariewe op bekostigbaarheid was 'n baie moeilike taak.

Ons **kapitaalbegroting** vanjaar **fokus** weereens op die verbetering van ons grootmaatdienste en infrastruktur en Behuisung. [Water: R12,419 miljoen ; Riool: R20,796 miljoen , Paaie: R4,085 miljoen, Behuisung R33,977 miljoen], soos geïdentifiseer in ons Geïntegreerde Ontwikkelingsplan.

Tenders vir die bou van 138 lae koste behuisingeenhede in Pineview en 70 behuisingeenhede in Villiersdorp is toegeken en bouwerk sal gedurende Mei 2011 begin.

## **DEERNIS SUBSIDIES**

Die munisipaliteit gaan R18,549m bewillig vir die Subsidiering van Basiese Dienste (Water, Elektrisiteit, Vullisverwydering en Riool) aan Deernishuishoudings. Dit is gebaseer op 8,000 Deernishuishoudings. Hierdie syfer verhoog jaarliks. Elektrisiteit Subsidie verhoog van 50KwH na 60KwH per maand.

Die subsidie sluit in 6kl water, 60Kwh Elektrisiteit, 100% korting vir Vullisverwyderings en Riool. **As Deernishuishoudings se maandelikse verbruik binne die 6kl water en 60Kwh elektrisiteit is, sal hulle niks hoeft te betaal nie, met ander woorde 'n 100% korting!**

Die bedrag van R1,993 miljoen, synde oninvorderbare deernisdebiteure is gedurende April 2011 afgeskryf.

## **MISSION OF THEEWATERSKLOOF MUNICIPALITY**

*“To provide, develop and promote equal opportunities for everyone to stay in a safe, healthy, crime free, economically stable and viable environment through transparent and effective governance, politically stable, planning, services and the efficient and effective utilisation of resources”*

Our first Strategic theme was “Capacity Building” followed by “Transforming and Positioning TWK as a successful and Competitive Developmental Authority”, “Financial Viability” and **“Mind the GAP” for 2010/2011.**

It refers to managing the gap between the community/ stakeholder expectations and the financial/ resource capacity of the Municipality.

This includes managing and reducing high stakeholders/ community expectations and increasing capacity/ resources/ efficiency and effectiveness. We will firstly determine/ assess the Status Quo on financial health and potential (where we are going). Secondly match available resources and potential resources (including financial) against Service Delivery, Infrastructure and Capital Needs for the next 5 years

## **TARIEWE**

Die bepaling van die Tariewe het onder andere die volgende beginsels in ag geneem:

- Bekostigbaarheid
- Volhoubaarheid
- Verbruiker-betaal

- Verhaling van beide Kapitaal-en Bedryfskoste
- Betalingspersentasie
- Finansiële en Ekonomiese Aanwysers
- Prysverhogings (Grootmaataankope van Water en Elektrisiteit), ens
- Verhoging in Brandstofpryse

Die tariefverhogings vir die 2011/2012 finansiële jaar is soos volg:

Eiendomsbelasting	6.9%
Elektrisiteit	20.38%
Vullis	6%
Riool	6%
Water	5.9%

### **STRATEGIC FOCUS AREAS AS CONTAINED IN THE IDP**

Successful alignment of the municipality's service delivery priorities, as embodied in the IDP and its focus areas, objectives and perspectives, to that of National and Provincial Governments is seen as critical if the Municipality is to achieve its developmental goals.

The following Focus Areas were determined through the internal and external stakeholder engagements:

- Service Delivery Improvement
- Infrastructure and Bulk Service Upgrades and Expansions
- IT and Human Resources Development
- Local Economic Development
- Financial Viability Improvement
- Good Governance

### **BEGROTING 2011/2012-2013/2014**

#### **BEDRYFSBEGROTING**

Die bedryfsbegrotings het verhoog vanaf R269,652 in 2010/11 tot R273, 109 in 2011/12, R297,888 in 2012/13 en R330,252 in 2013/14.

#### **KAPITAAL BEGROTING**

Die kapitaalbegroting het verhoog vanaf R82,043 in 2010/11 na R87,303m in 2011/12, R70,045m in 2012/13 and R77,966m in 2013/2014.

## **COMMENTS AND REPRESENTATIONS RECEIVED**

The comments and representations emanates from the public participation process from November 2010 and April 2011. The IDP, Budget, Tariffs and Budget-related documents were published for comments.

The Comments received, are attached per page number 284 to 406 in the budget item.

Sedert die vorige vergadering het ons wel ernstige oorweging geskenk aan die besware wat deur die opposisie gelug is en het die Direkteur Finansies spesifiek die implikasies daarvan oorweeg. Sy kommentaar is dan ook in die Agenda vervat. (Bl. 382 tot 383) Na oorweging van sy kommentaar is dit vir my duidelik dat dit, gegewe ons finansiële posisie, onverantwoordelike regering sou wees om die voorgestelde verlaagde tarief verhogings goed te keur.

## **AFSLUITING**

Speaker, ek wil graag al die Raadslede bedank vir hul insette tydens die Begrotingswerkswinkels en sessie, die verskillende komitees vir hulle hulp en bystand met die opstel van die begroting, die amptenare vir hulle bydraes tydens die begrotingsproses en die gemeenskap vir hulle bydraes tydens ons GOP proses.

Baie dankie ook aan die eggenote van alle Raadslede vir hul liefde en bystand, waaronder ons nie hierdie baie belangrike taak kon verrig nie.

Ek wil ook alle lof en prys gee aan ons Almagtige Vader vir die wysheid, insig, krag en goeie gesondheid: ons kan niks doen sonder Hom nie want Hy is ons Skepper en Verskaffer.

Ek wil graag afsluit met die volgende woorde van die Premier van die Wes-Kaap:

**“Ons politieke doel is om armoede in ons land te verlig en uit te roei, sodat almal die vrugte van vryheid pluk.”**

Speaker ek lê dan graag die volgende Begroting en ondersteunings dokumente aan die Raad voor vir goedkeuring:

- Begroting: Item C25/2011 soos aangedui op bladsye 1 – 404 en Aanbeveling op bladsy 6.

Baie dankie/ Thank you/ Enkosi

**ALDERMAN CB PUNT  
UITVOERENDE BURGERMEESTER/  
EXECUTIVE MAYOR**

# Theewaterskloof Municipality



**Final Budget**

**2011/2012 to 2013/2014**

**05 May 2011**

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*English is original version*

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## **1. Council Resolutions**

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1. That Council resolves that the Annual Operating Budget of the municipality for the financial year 2011/2012 and indicative for the two projected Outer Years 2012/2013 and 2013/2014 be approved as set out on Tables A1, A2, A3 and A4.(pages 5 - 8).
2. That Council resolves that the Annual Capital Budget of the municipality for the financial year 2011/2012 and indicative for the two projected Outer Years 2012/2013 and 2013/2014 be approved as set out on Tables A1, A5 and SA36, .(pages 5, 9, 55 and 56).
3. That Council resolves that the Monthly Cash Flow Forecasts with appropriate amendments be approved as the Cash Flow Budget of the Council for the 2011/2012 financial year as set out on Tables A1, A7 and SA30. (Pages 5, 11 and 54).
4. That Council resolves to adopt the Integrated Development Plan (Annexure A).
5. That Council resolves that the Tariff Charges are approved for the Financial Year 2011/2012 and note that Electricity Tariff will be finalized as soon as NERSA announces the increase in tariffs for municipalities. (Annexure B).
6. That the Monthly Indigent Subsidy in respect of 6kl Water, 60KwH Electricity, Refuse, Sewer and Informal Settlement Plot Rental (where applicable) be approved and that the applicable free basic services subsidies be calculated on the approved tariffs for the applicable services and measurable units.
7. That the Indigents Subsidy on Electricity be increased from 50KwH per month to 60KwH per month.
8. That the Indigent Threshold be increased when the new/increased social grant amount is approved by government (based on twice the monthly old age pension grant as per policy).
9. That the Monthly Free 6kl Water be subsidised for all households with up to 8 occupants and an additional 1kl per month for each additional occupant in excess of 8.
10. That Basic Charge of R61.22 + Vat per month on water is levied to all Non-Indigent Households and Businesses and Industrial Consumers.
11. That it be noted that "Unfunded Functions" and "Underfunded Functions" are fully budgeted for at present service levels and in respect of Libraries and Housing.
12. That note is taken that Internal Division of Costs (Departmental Charges) are calculated based on expected budgeted time spent, measurable units/quantities, cost, and that tariffs are determined accordingly.
13. That Sewer System Connections be done free of charge for consumers who are currently making use of Septic / Conservancy Tanks and wish to connect to the water-borne sewer system (where the infrastructure is available).
14. That Council resolves the following Amendments to the Policies:
  - 14.1. Tariff Policy  
That council adopt the amendments as indicated on page 27 – 29.
  - 14.2. Supply Chain Management Policy & Debt Collection Policies  
That council adopt the amendments as indicated on page 30.

- 14.3. Indigent Policy  
That council adopt the amendments as indicated on page 30 – 31.
- 14.4. Property Rates Policy  
That the amendments be effected as per Item prepared by Corporate Services (Amendments & Comments received).
- 14.5. Funding and Reserves Policy  
That council adopt the Funding and Reserves Policy as per Annexure E.

15. That Council takes cognizance of the comments received from various stakeholders and that the comments by Management are accordingly communicated to them.  
Comments/representation received on the 2011/2012 Draft budget (pages 283 – 404).
16. That Council considered the late objections from Greyton (page 405) and Villiersdorp (page 406) in connection with irrigation water tariff.
  - 16.1. That the increase in irrigation water tariff will be phased in over two years.

## **2. Executive summary**

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Growth to the Theewaterskloof Municipality's Medium Term Revenue and Expenditure Framework (MTREF) is based on a combination of factors such as (relatively low) generic growth to core tariff-based services, operational efficiencies, and revenue-related policies aimed at optimising and sustaining all income sources.

The MTREF-based Revenue And Expenditure Projections assumed inflation-linked annual adjustments and other above-inflation increases (eg. Remuneration of Officials and Councillors, Fuel Prices, Bulk Purchases, etc) amount to 10.9%, 7.8% and 9.7%, respectively for the 3-year budget period of 2011/12, 2012/13 and 2013/14.

The following are further key parameters applied to the Theewaterskloof Municipality financial framework included the following for the 2011/12 financial year:

### Tariff increases:

- Assessment Rates 6.9%
- Electricity 20.38% (Subject to NERSA's final approval)
- Water 5.9%
- Sanitation (Sewer) 6%
- Solid Waste (Refuse) 6%

Total expenditure for the 2011/12 financial year amounts to R271.5 million, which represents an increase of R6.5 million over 2010/11. Capital expenditure totals R87.3 million.

### Expenditure categories' growth:

- Employee related costs 9.4%
- Remuneration of Councillors 9.0%
- Debt impairment -43.6%
- Depreciation & asset impairment 4.5%
- Finance Charges 31.8%
- Bulk Purchases 25.6%
- Contracted services 11.4%
- Other Expenditure -18.4%

### Revenue categories' growth:

- Property Rates -2.0%
- Service Charges 3.0%
- Interest earned -20.6%
- Fines 24.6%
- Transfers recognised (Grants) 4.0%
- Other Revenue -0.5%

The aggregate Budget income increase from 2010/2011 to 2011/2012 is 1.28% or 8.16% if the change in the Prescribed Budget Accounting provision is applied in the 2010/2011 financial year.

Successful alignment of Theewaterskloof Municipality's service delivery priorities, as embodied in the updated IDP and its focus areas, objectives and perspectives, to that of National and Provincial Governments is seen as critical if the Municipality is to achieve its developmental goals. Main strategic focus areas as contained in the IDP are:

- Service Delivery Improvement
- Infrastructure and Bulk Service Upgrades and Expansions
- IT and Human Resources Development
- Local Economic Development
- Financial Viability Improvement
- Good Governance

### 3. Annual budget tables

#### The Budget schedules to be approved by resolution of Council:

##### Budget Summary (Table A1)

Description R thousands	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Financial Performance</b>									
Property rates	30,594	34,400	38,729	44,400	41,000	41,000	40,183	43,069	46,608
Service charges	74,703	94,062	96,760	120,709	121,486	121,486	125,118	140,382	160,696
Investment revenue	838	3,715	2,758	2,606	1,700	1,700	1,700	1,836	1,983
Transfers recognised - operational	29,250	33,371	38,864	48,735	50,506	50,506	52,505	54,554	57,940
Other own revenue	41,713	51,333	43,996	50,648	54,960	54,960	53,603	58,046	63,026
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>177,098</b>	<b>216,881</b>	<b>221,107</b>	<b>267,097</b>	<b>269,652</b>	<b>269,652</b>	<b>273,109</b>	<b>297,888</b>	<b>330,252</b>
Employee costs	57,456	68,968	82,438	88,911	92,132	92,132	100,810	109,379	119,223
Remuneration of councillors	4,886	5,437	5,655	6,329	6,082	6,082	6,630	7,227	7,877
Depreciation & asset impairment	2,414	17,802	20,543	22,136	22,136	22,136	23,120	24,276	25,489
Finance charges	3,977	8,535	10,092	10,945	10,856	10,856	14,303	15,442	16,833
Materials and bulk purchases	17,014	22,526	25,913	35,476	34,129	34,129	42,873	52,245	63,878
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	134,240	93,653	102,368	94,493	99,689	99,689	83,744	87,465	93,984
<b>Total Expenditure</b>	<b>219,986</b>	<b>216,921</b>	<b>247,009</b>	<b>258,291</b>	<b>265,023</b>	<b>265,023</b>	<b>271,481</b>	<b>296,033</b>	<b>327,285</b>
<b>Surplus/(Deficit)</b>	<b>(42,888)</b>	<b>(40)</b>	<b>(25,902)</b>	<b>8,806</b>	<b>4,629</b>	<b>4,629</b>	<b>1,628</b>	<b>1,854</b>	<b>2,968</b>
Transfers recognised - capital	61,533	24,484	52,708	47,270	52,943	52,943	59,382	58,715	64,416
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>18,645</b>	<b>24,445</b>	<b>26,807</b>	<b>56,076</b>	<b>57,573</b>	<b>57,573</b>	<b>61,010</b>	<b>60,569</b>	<b>67,384</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>18,645</b>	<b>24,445</b>	<b>26,807</b>	<b>56,076</b>	<b>57,573</b>	<b>57,573</b>	<b>61,010</b>	<b>60,569</b>	<b>67,384</b>
<b>Capital expenditure &amp; funds sources</b>									
<b>Capital expenditure</b>	<b>82,659</b>	<b>60,454</b>	<b>44,142</b>	<b>83,052</b>	<b>82,043</b>	<b>82,043</b>	<b>87,304</b>	<b>70,045</b>	<b>77,966</b>
Transfers recognised - capital	61,533	24,794	22,180	47,270	52,943	52,943	59,382	58,715	64,416
Public contributions & donations	-	-	-	-	-	-	-	-	-
Borrowing	16,940	27,127	18,246	24,845	19,642	19,642	21,285	10,770	13,550
Internally generated funds	4,187	8,533	3,716	10,936	9,458	9,458	6,637	560	-
<b>Total sources of capital funds</b>	<b>82,659</b>	<b>60,454</b>	<b>44,142</b>	<b>83,052</b>	<b>82,043</b>	<b>82,043</b>	<b>87,304</b>	<b>70,045</b>	<b>77,966</b>
<b>Financial position</b>									
Total current assets	38,125	54,193	35,795	44,770	44,770	44,770	32,008	35,860	68,424
Total non current assets	245,267	290,699	315,154	403,776	403,776	403,776	438,941	521,871	586,630
Total current liabilities	35,392	48,912	48,645	52,115	52,115	52,115	52,723	56,882	62,720
Total non current liabilities	68,755	102,279	99,484	122,235	122,235	122,235	122,175	144,228	168,330
Community wealth/Equity	179,246	193,701	202,820	274,195	274,195	274,195	296,051	356,620	424,004
<b>Cash flows</b>									
Net cash from (used) operating	60,470	35,346	25,789	14,487	14,487	14,487	70,819	70,799	78,052
Net cash from (used) investing	(80,658)	(55,842)	(44,525)	(83,052)	(83,052)	(83,052)	(87,304)	(70,045)	(77,966)
Net cash from (used) financing	23,264	31,247	(4,973)	15,807	15,807	15,807	13,610	2,714	5,083
<b>Cash/cash equivalents at the year end</b>	<b>20,319</b>	<b>31,071</b>	<b>7,362</b>	<b>(45,397)</b>	<b>(45,397)</b>	<b>(45,397)</b>	<b>5,002</b>	<b>8,470</b>	<b>13,639</b>
<b>Cash backing/surplus reconciliation</b>									
Cash and investments available	20,319	31,071	7,362	25,700	25,700	25,700	5,002	8,470	13,639
Application of cash and investments	8,074	18,730	4,388	28,034	28,055	28,055	5,975	7,712	(9,428)
<b>Balance - surplus (shortfall)</b>	<b>12,245</b>	<b>12,340</b>	<b>2,974</b>	<b>(2,334)</b>	<b>(2,355)</b>	<b>(2,355)</b>	<b>(973)</b>	<b>758</b>	<b>23,067</b>
<b>Asset management</b>									
Asset register summary (WDV)	245,128	290,607	315,110	403,731	403,731	403,731	438,927	521,863	586,626
Depreciation & asset impairment	2,414	17,802	20,543	22,136	22,136	22,136	23,120	24,276	25,489
Renewal of Existing Assets	-	-	-	-	-	-	30,520	27,523	30,056
Repairs and Maintenance	12,350	14,322	17,688	18,828	16,991	16,991	17,344	18,402	19,526
<b>Free services</b>									
Cost of Free Basic Services provided	7,224	8,100	11,118	15,561	15,561	15,561	14,883	24,903	27,205
Revenue cost of free services provided	16,613	20,279	23,116	32,418	32,418	32,418	38,080	41,167	44,607
<b>Households below minimum service level</b>									
Water:	354	365	365	365	365	365	-	-	-
Sanitation/sewage:	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-
Refuse:	6,340	9,382	9,382	9,382	9,382	9,382	9,382	9,382	9,382

Budgeted Financial Performance (Revenue and Expenditure by standard classification)  
(Table A2)

Standard Classification Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Revenue - Standard</b>									
<b>Governance and administration</b>	143,902	125,429	155,651	176,462	181,575	181,575	180,427	186,163	201,604
Executive and council	5,764	6,507	7,102	1,503	1,774	1,774	1,660	1,750	1,848
Budget and treasury office	124,530	103,540	130,330	157,910	163,788	163,788	158,974	165,093	178,819
Corporate services	13,608	15,381	18,219	17,049	16,013	16,013	19,793	19,320	20,937
<b>Community and public safety</b>	10,053	9,599	4,595	6,688	5,666	5,666	6,886	6,666	7,200
Community and social services	3,572	4,119	843	1,114	1,063	1,063	1,096	413	446
Sport and recreation	148	199	104	122	102	102	93	101	109
Public safety	6,331	5,221	3,646	5,152	4,201	4,201	5,396	5,828	6,294
Housing	2	60	2	300	300	300	300	324	350
Health	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	8,632	12,394	8,044	12,001	14,049	14,049	6,670	6,609	7,138
Planning and development	3,572	6,921	3,397	7,424	9,585	9,585	1,990	1,556	1,680
Road transport	5,061	5,473	4,647	4,577	4,464	4,464	4,679	5,054	5,458
Environmental protection	-	-	-	-	-	-	-	-	-
<b>Trading services</b>	76,043	93,944	105,525	119,216	121,305	121,305	138,509	157,164	178,727
Electricity	27,342	32,740	38,464	48,254	49,529	49,529	58,561	70,812	85,631
Water	21,810	30,164	34,264	35,552	35,835	35,835	40,629	43,879	47,353
Waste water management	11,789	14,497	16,062	17,195	17,651	17,651	19,450	21,014	22,637
Waste management	15,103	16,543	16,736	18,215	18,290	18,290	19,869	21,460	23,106
<b>Other</b>	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	238,631	241,366	273,815	314,367	322,595	322,595	332,491	356,603	394,668
<b>Expenditure - Standard</b>									
<b>Governance and administration</b>	117,794	72,803	99,385	99,182	104,396	104,396	98,710	104,599	113,026
Executive and council	12,658	9,063	8,911	15,807	16,007	16,007	23,163	24,943	26,902
Budget and treasury office	80,005	24,214	46,717	42,809	45,596	45,596	26,966	29,353	31,764
Corporate services	25,130	39,527	43,757	40,567	42,793	42,793	48,581	50,303	54,360
<b>Community and public safety</b>	22,798	29,336	23,553	24,076	25,367	25,367	26,911	29,010	31,391
Community and social services	7,005	9,979	4,493	4,606	4,450	4,450	4,660	5,049	5,493
Sport and recreation	4,519	6,527	6,301	5,863	6,230	6,230	6,210	6,706	7,270
Public safety	8,278	9,118	8,654	8,385	9,916	9,916	10,157	10,958	11,866
Housing	2,995	3,712	4,106	5,222	4,771	4,771	5,884	6,298	6,762
Health	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	18,646	25,169	25,551	34,160	35,329	35,329	33,377	35,205	37,817
Planning and development	6,454	7,693	6,745	10,560	12,579	12,579	9,027	9,138	9,878
Road transport	12,193	17,472	18,781	23,435	22,584	22,584	24,237	25,944	27,805
Environmental protection	-	4	25	165	165	165	114	123	133
<b>Trading services</b>	60,749	89,612	98,520	100,872	99,931	99,931	112,483	127,220	145,050
Electricity	19,585	27,145	34,215	41,488	40,388	40,388	46,790	56,864	68,844
Water	18,972	27,122	25,213	26,686	27,316	27,316	30,907	32,904	35,203
Waste water management	9,399	16,985	18,911	17,213	16,140	16,140	17,742	19,127	20,842
Waste management	12,792	18,360	20,180	15,485	16,086	16,086	17,044	18,325	20,161
<b>Other</b>	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	219,986	216,921	247,009	258,291	265,023	265,023	271,481	296,033	327,285
<b>Surplus/(Deficit) for the year</b>	18,645	24,445	26,807	56,076	57,573	57,573	61,010	60,569	67,384

### Budgeted Financial Performance (Revenue and Expenditure by municipal vote) (Table A3)

Vote Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
	<b>Revenue by Vote</b>								
Vote1 - Executive & Council	14,178	19,186	21,257	12,212	11,622	11,622	10,823	9,547	10,256
Vote2 - Finance & Admin	67,494	81,758	81,907	116,980	116,987	116,987	110,220	117,901	126,932
Vote3 - Planning & Development	3,572	6,921	3,397	7,424	9,585	9,585	1,990	1,556	1,680
Vote4 - Community & Social Services	3,572	4,119	843	1,114	1,063	1,063	1,096	413	446
Vote5 - Housing	2	60	2	300	300	300	300	324	350
Vote6 - Public Safety	6,331	5,221	3,646	5,152	4,201	4,201	5,396	5,828	6,294
Vote7 - Sport & Recreation	148	199	104	122	102	102	93	101	109
Vote8 - Environmental Protection	-	-	-	-	-	-	-	-	-
Vote9 - Waste Management	15,103	16,543	16,736	18,215	18,290	18,290	19,869	21,460	23,106
Vote10 - Waste Water Management	11,789	14,497	16,062	17,195	17,651	17,651	19,450	21,014	22,637
Vote11 - Roads Transport	5,061	5,473	4,647	4,577	4,464	4,464	4,679	5,054	5,458
Vote12 - Water	21,810	30,164	34,264	35,552	35,835	35,835	40,629	43,879	47,353
Vote13 - Electricity	27,342	32,740	38,464	48,254	49,529	49,529	58,561	70,812	85,631
Vote14 - Other	62,231	24,484	52,486	47,270	52,967	52,967	59,382	58,715	64,416
Example 15 - Vote15	-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	<b>238,631</b>	<b>241,366</b>	<b>273,815</b>	<b>314,367</b>	<b>322,595</b>	<b>322,595</b>	<b>332,491</b>	<b>356,603</b>	<b>394,668</b>
<b>Expenditure by Vote to be appropriated</b>									
Vote1 - Executive & Council	29,267	36,430	37,725	40,100	40,627	40,627	51,689	53,571	57,799
Vote2 - Finance & Admin	25,132	34,910	31,329	55,979	60,963	60,963	43,019	46,726	50,587
Vote3 - Planning & Development	7,617	9,115	9,888	13,473	15,193	15,193	12,925	13,328	14,398
Vote4 - Community & Social Services	7,005	9,979	4,493	4,606	4,450	4,450	4,660	5,049	5,493
Vote5 - Housing	2,995	3,712	4,106	5,222	4,771	4,771	5,884	6,298	6,762
Vote6 - Public Safety	8,278	9,118	8,654	8,385	9,916	9,916	10,157	10,958	11,866
Vote7 - Sport & Recreation	4,519	6,527	6,301	5,863	6,230	6,230	6,210	6,706	7,270
Vote8 - Environmental Protection	-	4	25	165	165	165	114	123	133
Vote9 - Waste Management	12,792	18,360	20,180	15,485	16,086	16,086	17,044	18,325	20,161
Vote10 - Waste Water Management	9,399	16,985	18,911	17,213	16,140	16,140	17,742	19,127	20,842
Vote11 - Roads Transport	12,193	17,472	18,781	23,435	22,584	22,584	24,237	25,944	27,805
Vote12 - Water	18,972	27,122	25,213	26,686	27,316	27,316	30,907	32,904	35,203
Vote13 - Electricity	19,585	27,145	34,215	41,488	40,388	40,388	46,790	56,864	68,844
Vote14 - Other	62,231	42	27,188	192	194	194	103	111	121
Example 15 - Vote15	-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	<b>219,986</b>	<b>216,921</b>	<b>247,009</b>	<b>258,291</b>	<b>265,023</b>	<b>265,023</b>	<b>271,481</b>	<b>296,033</b>	<b>327,285</b>
<b>Surplus/(Deficit) for the year</b>	<b>18,645</b>	<b>24,445</b>	<b>26,807</b>	<b>56,076</b>	<b>57,573</b>	<b>57,573</b>	<b>61,010</b>	<b>60,569</b>	<b>67,384</b>

## Budgeted Financial Performance (Revenue and Expenditure) (Table A4)

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Revenue By Source</b>									
Property rates	30,594	34,400	38,729	44,400	41,000	41,000	40,183	43,069	46,608
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	26,790	31,996	37,931	48,254	48,204	48,204	57,054	68,988	83,424
Service charges - water revenue	21,810	30,080	31,259	35,552	35,835	35,835	37,690	40,159	43,409
Service charges - sanitation revenue	11,789	14,497	12,879	17,195	17,651	17,651	14,797	15,214	16,489
Service charges - refuse revenue	12,591	14,949	13,146	18,215	18,290	18,290	14,085	14,410	15,633
Service charges - other	1,724	2,541	1,546	1,493	1,506	1,506	1,493	1,612	1,741
Rental of facilities and equipment	1,587	1,460	2,004	1,850	1,780	1,780	1,534	1,657	1,789
Interest earned - external investments	838	3,715	2,758	2,606	1,700	1,700	1,700	1,836	1,983
Interest earned - outstanding debtors	7,256	8,105	6,352	6,600	8,000	8,000	6,000	6,480	6,998
Dividends received	-	-	-	-	-	-	-	-	-
Fines	6,276	5,152	3,592	5,074	4,073	4,073	5,074	5,479	5,918
Licences and permits	55	76	62	75	75	75	63	68	73
Agency services	1,544	1,415	1,974	1,700	1,730	1,730	1,815	1,961	2,118
Transfers recognised - operational	29,250	33,371	38,864	48,735	50,506	50,506	52,505	54,554	57,940
Other revenue	24,996	35,126	30,013	35,348	39,302	39,302	39,118	42,402	46,130
Gains on disposal of PPE	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>177,098</b>	<b>216,881</b>	<b>221,107</b>	<b>267,097</b>	<b>269,652</b>	<b>269,652</b>	<b>273,109</b>	<b>297,888</b>	<b>330,252</b>
<b>Expenditure By Type</b>									
Employee related costs	57,456	68,968	82,438	88,911	92,132	92,132	100,810	109,379	119,223
Remuneration of councillors	4,886	5,437	5,655	6,329	6,082	6,082	6,630	7,227	7,877
Debt impairment	11,190	24,526	18,277	5,688	7,158	7,158	4,034	4,356	4,705
Depreciation & asset impairment	2,414	17,802	20,543	22,136	22,136	22,136	23,120	24,276	25,489
Finance charges	3,977	8,535	10,092	10,945	10,856	10,856	14,303	15,442	16,833
Bulk purchases	17,014	22,526	25,913	35,476	34,129	34,129	42,873	52,245	63,878
Other materials	-	-	-	-	-	-	-	-	-
Contracted services	8,349	8,538	8,653	13,519	14,006	14,006	15,601	16,660	17,792
Transfers and grants	-	-	-	-	-	-	-	-	-
Other expenditure	114,701	60,589	75,438	75,285	78,524	78,524	64,110	66,449	71,487
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>	<b>219,986</b>	<b>216,921</b>	<b>247,009</b>	<b>258,291</b>	<b>265,023</b>	<b>265,023</b>	<b>271,481</b>	<b>296,033</b>	<b>327,285</b>
<b>Surplus/(Deficit)</b>	(42,888)	(40)	(25,902)	8,806	4,629	4,629	1,628	1,854	2,968
Transfers recognised - capital	61,533	24,484	52,708	47,270	52,943	52,943	59,382	58,715	64,416
Contributions recognised - capital	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>18,645</b>	<b>24,445</b>	<b>26,807</b>	<b>56,076</b>	<b>57,573</b>	<b>57,573</b>	<b>61,010</b>	<b>60,569</b>	<b>67,384</b>
Taxation	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>	<b>18,645</b>	<b>24,445</b>	<b>26,807</b>	<b>56,076</b>	<b>57,573</b>	<b>57,573</b>	<b>61,010</b>	<b>60,569</b>	<b>67,384</b>
Attributable to minorities	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>	<b>18,645</b>	<b>24,445</b>	<b>26,807</b>	<b>56,076</b>	<b>57,573</b>	<b>57,573</b>	<b>61,010</b>	<b>60,569</b>	<b>67,384</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>18,645</b>	<b>24,445</b>	<b>26,807</b>	<b>56,076</b>	<b>57,573</b>	<b>57,573</b>	<b>61,010</b>	<b>60,569</b>	<b>67,384</b>

## Budgeted Capital Expenditure by vote, standard classification and funding (Table A5)

Vote Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Capital expenditure - Vote</b>									
<b>Multi-year expenditure to be appropriated</b>									
Vote1 - Executive & Council	941	1,759	3,354	–	800	800	2,825	230	4,500
Vote2 - Finance & Admin	248	2,286	1,702	1,843	3,461	3,461	2,212	–	–
Vote3 - Planning & Development	–	4,597	277	–	–	–	2,150	–	2,500
Vote4 - Community & Social Services	–	–	–	–	–	–	–	–	50
Vote5 - Housing	33,592	12,637	–	29,330	29,344	29,344	33,977	32,480	34,238
Vote6 - Public Safety	–	–	–	–	–	–	1,693	300	–
Vote7 - Sport & Recreation	960	31	272	–	692	692	–	–	–
Vote8 - Environmental Protection	–	–	–	–	–	–	–	–	–
Vote9 - Waste Management	3,939	4,833	–	–	–	–	2,109	–	–
Vote10 - Waste Water Management	26,028	6,252	4,144	13,291	11,564	11,564	20,797	22,925	19,122
Vote11 - Roads Transport	3,542	2,193	9,505	16,019	13,602	13,602	2,392	6,894	10,556
Vote12 - Water	11,304	22,797	21,043	16,591	16,577	16,577	12,420	2,526	7,000
Vote13 - Electricity	2,104	3,069	3,845	5,978	6,002	6,002	6,730	4,690	–
Vote14 - Other	–	–	–	–	–	–	–	–	–
Example 15 - Vote15	–	–	–	–	–	–	–	–	–
<b>Capital multi-year expenditure sub-total</b>	<b>82,659</b>	<b>60,454</b>	<b>44,142</b>	<b>83,052</b>	<b>82,043</b>	<b>82,043</b>	<b>87,304</b>	<b>70,045</b>	<b>77,966</b>
<b>Single-year expenditure to be appropriated</b>									
Vote1 - Executive & Council	–	–	–	–	–	–	–	–	–
Vote2 - Finance & Admin	–	–	–	–	–	–	–	–	–
Vote3 - Planning & Development	–	–	–	–	–	–	–	–	–
Vote4 - Community & Social Services	–	–	–	–	–	–	–	–	–
Vote5 - Housing	–	–	–	–	–	–	–	–	–
Vote6 - Public Safety	–	–	–	–	–	–	–	–	–
Vote7 - Sport & Recreation	–	–	–	–	–	–	–	–	–
Vote8 - Environmental Protection	–	–	–	–	–	–	–	–	–
Vote9 - Waste Management	–	–	–	–	–	–	–	–	–
Vote10 - Waste Water Management	–	–	–	–	–	–	–	–	–
Vote11 - Roads Transport	–	–	–	–	–	–	–	–	–
Vote12 - Water	–	–	–	–	–	–	–	–	–
Vote13 - Electricity	–	–	–	–	–	–	–	–	–
Vote14 - Other	–	–	–	–	–	–	–	–	–
Example 15 - Vote15	–	–	–	–	–	–	–	–	–
<b>Capital single-year expenditure sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Capital Expenditure - Vote</b>	<b>82,659</b>	<b>60,454</b>	<b>44,142</b>	<b>83,052</b>	<b>82,043</b>	<b>82,043</b>	<b>87,304</b>	<b>70,045</b>	<b>77,966</b>
<b>Capital Expenditure - Standard</b>									
<b>Governance and administration</b>									
Executive and council	1,189	4,045	5,056	1,843	4,261	4,261	5,037	230	4,500
Budget and treasury office	–	–	–	–	–	–	975	–	–
Corporate services	248	2,102	1,702	1,843	3,461	3,461	2,212	–	–
<b>Community and public safety</b>									
Community and social services	34,552	12,668	272	29,330	30,036	30,036	35,670	32,780	34,288
Sport and recreation	–	–	–	–	–	–	–	–	–
Public safety	960	31	272	–	692	692	–	300	–
Housing	33,592	12,637	–	29,330	29,344	29,344	33,977	32,480	34,238
Health	–	–	–	–	–	–	–	–	–
<b>Economic and environmental services</b>									
Planning and development	3,542	6,790	9,781	16,019	13,602	13,602	4,542	6,894	13,056
Road transport	–	4,597	277	–	–	–	2,150	–	2,500
Environmental protection	3,542	2,193	9,505	16,019	13,602	13,602	2,392	6,894	10,556
<b>Trading services</b>									
Electricity	43,376	36,952	29,033	35,860	34,144	34,144	42,055	30,141	26,122
Water	–	4,597	277	–	–	–	–	–	–
Waste water management	11,304	22,797	21,043	16,591	16,577	16,577	12,420	2,526	7,000
Waste management	26,028	6,252	4,144	13,291	11,564	11,564	20,797	22,925	19,122
<b>Other</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total Capital Expenditure - Standard</b>	<b>82,659</b>	<b>60,454</b>	<b>44,142</b>	<b>83,052</b>	<b>82,043</b>	<b>82,043</b>	<b>87,304</b>	<b>70,045</b>	<b>77,966</b>
<b>Funded by:</b>									
National Government	27,940	12,158	21,716	17,940	22,846	22,846	22,577	26,235	27,678
Provincial Government	33,592	12,637	272	29,330	30,036	30,036	36,805	32,480	36,738
District Municipality	–	–	192	–	62	62	–	–	–
Other transfers and grants	–	–	–	–	–	–	–	–	–
Transfers recognised - capital	61,533	24,794	22,180	47,270	52,943	52,943	59,382	58,715	64,416
Public contributions & donations	–	–	–	–	–	–	–	–	–
Borrowing	16,940	27,127	18,246	24,845	19,642	19,642	21,285	10,770	13,550
Internally generated funds	4,187	8,533	3,716	10,936	9,458	9,458	6,637	560	–
<b>Total Capital Funding</b>	<b>82,659</b>	<b>60,454</b>	<b>44,142</b>	<b>83,052</b>	<b>82,043</b>	<b>82,043</b>	<b>87,304</b>	<b>70,045</b>	<b>77,966</b>

## Budgeted Financial Position (Table A6)

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13
<b>ASSETS</b>									
<b>Current assets</b>									
Cash	11,677	5,586	2,375	4,700	4,700	4,700	1,002	1,470	1,639
Call investment deposits	8,642	25,485	4,987	21,000	21,000	21,000	4,000	7,000	12,000
Consumer debtors	17,693	19,259	23,257	16,269	16,269	16,269	21,195	21,230	48,257
Other debtors	2	3,765	5,073	2,700	2,700	2,700	5,700	6,042	6,405
Current portion of long-term receivables	28	12	6	7	7	7	2	1	1
Inventory	83	86	97	94	94	94	109	116	122
<b>Total current assets</b>	<b>38,125</b>	<b>54,193</b>	<b>35,795</b>	<b>44,770</b>	<b>44,770</b>	<b>44,770</b>	<b>32,008</b>	<b>35,860</b>	<b>68,424</b>
<b>Non current assets</b>									
Long-term receivables	139	92	44	45	45	45	14	8	5
Investments	-	-	-	-	-	-	-	-	-
Investment property	28,033	29,861	29,098	18,000	18,000	18,000	25,000	23,000	23,000
Investment in Associate	-	-	-	-	-	-	-	-	-
Property, plant and equipment	217,016	260,324	284,533	384,831	384,831	384,831	411,749	495,985	560,048
Agricultural	-	-	-	-	-	-	-	-	-
Biological	-	-	-	-	-	-	-	-	-
Intangible	79	422	1,478	900	900	900	2,178	2,878	3,578
Other non-current assets	-	-	-	-	-	-	-	-	-
<b>Total non current assets</b>	<b>245,267</b>	<b>290,699</b>	<b>315,154</b>	<b>403,776</b>	<b>403,776</b>	<b>403,776</b>	<b>438,941</b>	<b>521,871</b>	<b>586,630</b>
<b>TOTAL ASSETS</b>	<b>283,392</b>	<b>344,892</b>	<b>350,949</b>	<b>448,546</b>	<b>448,546</b>	<b>448,546</b>	<b>470,949</b>	<b>557,730</b>	<b>655,054</b>
<b>LIABILITIES</b>									
<b>Current liabilities</b>									
Bank overdraft	-	-	-	-	-	-	-	-	-
Borrowing	4,268	4,985	4,711	6,000	6,000	6,000	7,904	8,308	8,744
Consumer deposits	2,395	2,697	2,942	3,263	3,263	3,263	3,560	3,916	4,307
Trade and other payables	27,850	34,641	31,355	41,221	41,221	41,221	29,598	31,830	35,560
Provisions	878	6,589	9,637	1,631	1,631	1,631	11,661	12,828	14,109
<b>Total current liabilities</b>	<b>35,392</b>	<b>48,912</b>	<b>48,645</b>	<b>52,115</b>	<b>52,115</b>	<b>52,115</b>	<b>52,723</b>	<b>56,882</b>	<b>62,720</b>
<b>Non current liabilities</b>									
Borrowing	52,918	83,103	78,105	99,033	99,033	99,033	96,307	115,774	137,030
Provisions	15,837	19,176	21,379	23,202	23,202	23,202	25,868	28,454	31,300
<b>Total non current liabilities</b>	<b>68,755</b>	<b>102,279</b>	<b>99,484</b>	<b>122,235</b>	<b>122,235</b>	<b>122,235</b>	<b>122,175</b>	<b>144,228</b>	<b>168,330</b>
<b>TOTAL LIABILITIES</b>	<b>104,147</b>	<b>151,191</b>	<b>148,129</b>	<b>174,351</b>	<b>174,351</b>	<b>174,351</b>	<b>174,898</b>	<b>201,110</b>	<b>231,050</b>
<b>NET ASSETS</b>	<b>179,246</b>	<b>193,701</b>	<b>202,820</b>	<b>274,195</b>	<b>274,195</b>	<b>274,195</b>	<b>296,051</b>	<b>356,620</b>	<b>424,004</b>
<b>COMMUNITY WEALTH/EQUITY</b>									
Accumulated Surplus/(Deficit)	174,832	192,954	202,789	271,655	271,655	271,655	296,020	356,590	423,973
Reserves	4,414	747	31	2,540	2,540	2,540	31	31	31
Minorities' interests	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>179,246</b>	<b>193,701</b>	<b>202,820</b>	<b>274,195</b>	<b>274,195</b>	<b>274,195</b>	<b>296,051</b>	<b>356,620</b>	<b>424,004</b>

## Budgeted Cash Flows (Table A7)

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited	Audited	Audited	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
	Outcome	Outcome	Outcome						
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	200,072	189,726	223,553	209,156	209,156	209,156	212,904	235,018	263,331
Government - operating	-	-	-	48,735	48,735	48,735	52,505	54,554	57,940
Government - capital	-	-	-	47,270	47,270	47,270	59,382	58,715	64,416
Interest	4,222	11,693	9,109	9,206	9,206	9,206	7,700	8,316	8,981
Dividends	-	-	-	-	-	-	-	-	-
<b>Payments</b>									
Suppliers and employees	(139,725)	(158,837)	(198,571)	(288,935)	(288,935)	(288,935)	(247,369)	(270,362)	(299,784)
Finance charges	(4,098)	(7,235)	(8,302)	(10,945)	(10,945)	(10,945)	(14,303)	(15,442)	(16,833)
Transfers and Grants	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>60,470</b>	<b>35,346</b>	<b>25,789</b>	<b>14,487</b>	<b>14,487</b>	<b>14,487</b>	<b>70,819</b>	<b>70,799</b>	<b>78,052</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	1,803	5,252	850	-	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivable	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-
<b>Payments</b>									
Capital assets	(82,460)	(61,094)	(45,375)	(83,052)	(83,052)	(83,052)	(87,304)	(70,045)	(77,966)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(80,658)</b>	<b>(55,842)</b>	<b>(44,525)</b>	<b>(83,052)</b>	<b>(83,052)</b>	<b>(83,052)</b>	<b>(87,304)</b>	<b>(70,045)</b>	<b>(77,966)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short term loans	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	24,857	33,391	55	26,496	26,496	26,496	21,285	10,770	13,550
Increase (decrease) in consumer deposits	171	320	299	189	189	189	229	252	277
<b>Payments</b>									
Repayment of borrowing	(1,765)	(2,463)	(5,327)	(10,878)	(10,878)	(10,878)	(7,904)	(8,308)	(8,744)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>23,264</b>	<b>31,247</b>	<b>(4,973)</b>	<b>15,807</b>	<b>15,807</b>	<b>15,807</b>	<b>13,610</b>	<b>2,714</b>	<b>5,083</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>3,076</b>	<b>10,752</b>	<b>(23,709)</b>	<b>(52,758)</b>	<b>(52,758)</b>	<b>(52,758)</b>	<b>(2,875)</b>	<b>3,468</b>	<b>5,168</b>
Cash/cash equivalents at the year begin:	17,243	20,319	31,071	7,362	7,362	7,362	7,877	5,002	8,470
Cash/cash equivalents at the year end:	20,319	31,071	7,362	(45,397)	(45,397)	(45,397)	5,002	8,470	13,639

Cash Backed reserves/accumulated surplus reconciliation (Table A8)

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	20,319	31,071	7,362	(45,397)	(45,397)	(45,397)	5,002	8,470	13,639
Other current investments > 90 days	-	-	-	71,097	71,097	71,097	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>	<b>20,319</b>	<b>31,071</b>	<b>7,362</b>	<b>25,700</b>	<b>25,700</b>	<b>25,700</b>	<b>5,002</b>	<b>8,470</b>	<b>13,639</b>
<b>Application of cash and investments</b>									
Unspent conditional transfers	3,727	8,428	7,149	5,000	5,000	5,000	2,400	3,000	5,000
Unspent borrowing	-	-	-	-	-	-	-	-	-
Statutory requirements	-	-	-	-	-	-	-	-	-
Other working capital requirements	4,347	10,302	(2,761)	23,034	23,055	23,055	3,575	4,712	(14,428)
Other provisions	-	-	-	-	-	-	-	-	-
Long term investments committed	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>	<b>8,074</b>	<b>18,730</b>	<b>4,388</b>	<b>28,034</b>	<b>28,055</b>	<b>28,055</b>	<b>5,975</b>	<b>7,712</b>	<b>(9,428)</b>
<b>Surplus(shortfall)</b>	<b>12,245</b>	<b>12,340</b>	<b>2,974</b>	<b>(2,334)</b>	<b>(2,355)</b>	<b>(2,355)</b>	<b>(973)</b>	<b>758</b>	<b>23,067</b>

## Asset Management (Table A9)

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>CAPITAL EXPENDITURE</b>									
<b>Total New Assets</b>	82,251	60,512	44,142	83,052	82,043	82,043	56,784	42,522	47,910
Infrastructure - Road transport	2,917	2,193	9,505	16,019	13,602	13,602	–	2,894	–
Infrastructure - Electricity	2,415	3,921	3,845	5,978	6,002	6,002	6,180	2,600	–
Infrastructure - Water	10,947	22,722	21,184	16,591	16,577	16,577	5,200	300	3,000
Infrastructure - Sanitation	26,700	6,220	4,144	13,291	11,564	11,564	4,606	4,248	6,122
Infrastructure - Other	–	–	–	–	–	–	2,109	–	–
Infrastructure	42,979	35,056	38,678	51,879	47,746	47,746	18,095	10,042	9,122
Community	960	31	272	–	692	692	33,977	32,480	34,238
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	32,371	–	–	29,330	29,344	29,344	–	–	–
Other assets	5,940	25,425	5,192	1,843	4,261	4,261	4,712	–	4,550
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
<b>Total Renewal of Existing Assets</b>	–	–	–	–	–	–	30,520	27,523	30,056
Infrastructure - Road transport	–	–	–	–	–	–	4,085	4,300	10,556
Infrastructure - Electricity	–	–	–	–	–	–	550	2,090	–
Infrastructure - Water	–	–	–	–	–	–	7,220	2,226	4,000
Infrastructure - Sanitation	–	–	–	–	–	–	16,190	18,677	13,000
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	–	–	–	–	–	–	28,045	27,293	27,556
Community	–	–	–	–	–	–	–	–	50
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	2,475	230	2,450
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
<b>Total Capital Expenditure</b>	–	–	–	–	–	–	–	–	–
Infrastructure - Road transport	2,917	2,193	9,505	16,019	13,602	13,602	4,085	7,194	10,556
Infrastructure - Electricity	2,415	3,921	3,845	5,978	6,002	6,002	6,730	4,690	–
Infrastructure - Water	10,947	22,722	21,184	16,591	16,577	16,577	12,420	2,526	7,000
Infrastructure - Sanitation	26,700	6,220	4,144	13,291	11,564	11,564	20,797	22,925	19,122
Infrastructure - Other	–	–	–	–	–	–	2,109	–	–
Infrastructure	42,979	35,056	38,678	51,879	47,746	47,746	46,140	37,335	36,678
Community	960	31	272	–	692	692	33,977	32,480	34,288
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	32,371	–	–	29,330	29,344	29,344	–	–	–
Other assets	5,940	25,425	5,192	1,843	4,261	4,261	7,187	230	7,000
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	–	–	–	–	–	–	–	–	–
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>	82,251	60,512	44,142	83,052	82,043	82,043	87,304	70,045	77,966
<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>									
Infrastructure - Road transport	–	–	–	–	–	–	–	–	–
Infrastructure - Electricity	–	–	–	–	–	–	–	–	–
Infrastructure - Water	–	–	–	–	–	–	–	–	–
Infrastructure - Sanitation	–	–	–	–	–	–	–	–	–
Infrastructure - Other	–	–	–	–	–	–	–	–	–
Infrastructure	217,016	260,324	284,533	384,831	384,831	384,831	411,749	495,985	560,048
Community	217,016	260,324	284,533	384,831	384,831	384,831	411,749	495,985	560,048
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	28,033	29,861	29,098	18,000	18,000	18,000	25,000	23,000	23,000
Agricultural Assets	–	–	–	–	–	–	–	–	–
Biological assets	–	–	–	–	–	–	–	–	–
Intangibles	79	422	1,478	900	900	900	2,178	2,878	3,578
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	245,128	290,607	315,110	403,731	403,731	403,731	438,927	521,863	586,626
<b>EXPENDITURE OTHER ITEMS</b>									
<b>Depreciation &amp; asset impairment</b>	2,414	17,802	20,543	22,136	22,136	22,136	23,120	24,276	25,489
<b>Repairs and Maintenance by Asset Class</b>	12,350	14,322	17,688	18,828	16,991	16,991	17,344	18,402	19,526
Infrastructure - Road transport	3,446	4,088	4,023	4,533	4,413	4,413	2,898	3,084	3,284
Infrastructure - Electricity	2,103	2,488	4,117	3,846	3,184	3,184	4,199	4,451	4,718
Infrastructure - Water	82	27	228	120	120	120	145	154	163
Infrastructure - Sanitation	442	586	422	870	795	795	755	800	848
Infrastructure - Other	776	1,000	1,498	1,480	1,180	1,180	1,050	1,113	1,180
Infrastructure	6,849	8,190	10,288	10,848	9,692	9,692	9,048	9,603	10,193
Community	–	–	–	–	–	–	–	–	–
Heritage assets	–	–	–	–	–	–	–	–	–
Investment properties	–	–	–	–	–	–	–	–	–
Other assets	5,501	6,133	7,400	7,979	7,299	7,299	8,296	8,799	9,333
<b>TOTAL EXPENDITURE OTHER ITEMS</b>	14,764	32,124	38,231	40,963	39,127	39,127	40,463	42,677	45,015
<b>% of capital exp on renewal of assets</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	53.7%	64.7%	62.7%
<b>Renewal of Existing Assets as % of deprecn"</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	132.0%	113.4%	117.9%
<b>R&amp;M as a % of PPE</b>	5.7%	5.5%	6.2%	4.9%	4.4%	4.4%	4.2%	3.7%	3.5%
<b>Renewal and R&amp;M as a % of PPE</b>	5.0%	5.0%	6.0%	5.0%	4.0%	4.0%	11.0%	9.0%	8.0%

## Basic Service Delivery measurement (Table A10)

Description	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Household service targets (000)</b>									
<b>Water:</b>									
Piped water inside dwelling	23	23	23	23	23	23	23	23	23
Piped water inside yard (but not in dwelling)	1	1	1	1	1	1	1	1	1
Using public tap (at least min.service level)									
Other water supply (at least min.service level)									
<b>Minimum Service Level and Above sub-total</b>	<b>23</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
Using public tap (< min.service level)	0	0	0	0	0	0			
Other water supply (< min.service level)									
No water supply									
<b>Below Minimum Service Level sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total number of households</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Sanitation/sewage:</b>									
Flush toilet (connected to sewerage)	21	22	22	22	22	22	22	22	22
Flush toilet (with septic tank)	2	3	3	3	3	3	3	3	3
Chemical toilet									
Pit toilet (vented)									
Other toilet provisions (> min.service level)									
<b>Minimum Service Level and Above sub-total</b>	<b>23</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
Bucket toilet									
Other toilet provisions (< min.service level)									
No toilet provisions									
<b>Below Minimum Service Level sub-total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total number of households</b>	<b>23</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>	<b>24</b>
<b>Energy:</b>									
Electricity (at least min.service level)	3	3	3	3	3	3	2	1	0
Electricity - prepaid (min.service level)	3	3	3	3	3	3	4	5	6
<b>Minimum Service Level and Above sub-total</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
Electricity (< min.service level)									
Electricity - prepaid (< min. service level)									
Other energy sources									
<b>Below Minimum Service Level sub-total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total number of households</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>
<b>Refuse:</b>									
Removed at least once a week	19	19	19	19	19	19	19	19	19
<b>Minimum Service Level and Above sub-total</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>
Removed less frequently than once a week	1	1	1	1	1	1	1	1	1
Using communal refuse dump	1	1	1	1	1	1	1	1	1
Using own refuse dump	4	7	7	7	7	7	7	7	7
Other rubbish disposal									
No rubbish disposal	0	0	0	0	0	0	0	0	0
<b>Below Minimum Service Level sub-total</b>	<b>6</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>	<b>9</b>
<b>Total number of households</b>	<b>26</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>	<b>29</b>
<b>Households receiving Free Basic Service</b>									
Water (6 kilolitres per household per month)	6	7	6	8	8	8	7	7	7
Sanitation (free minimum level service)	6	7	6	8	8	8	7	7	7
Electricity/other energy (50kwh per household per month)	6	7	6	8	8	8	7	7	7
Refuse (removed at least once a week)	6	7	6	8	8	8	7	7	7
<b>Cost of Free Basic Services provided (R'000)</b>									
Water (6 kilolitres per household per month)	1,598	1,800	1,980	2,633	2,633	2,633	2,939	5,451	5,778
Sanitation (free sanitation service)	1,563	1,728	3,049	4,171	4,171	4,171	4,653	6,848	7,259
Electricity/other energy (50kwh per household per month)	1,880	2,160	2,331	3,572	3,572	3,572	1,508	5,388	6,519
Refuse (removed once a week)	2,183	2,412	3,758	5,184	5,184	5,184	5,784	7,216	7,649
<b>Total cost of FBS provided (minimum social package)</b>	<b>7,224</b>	<b>8,100</b>	<b>11,118</b>	<b>15,561</b>	<b>15,561</b>	<b>15,561</b>	<b>14,883</b>	<b>24,903</b>	<b>27,205</b>
<b>Highest level of free service provided</b>									
Property rates (R value threshold)	15,000	15,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)									
Sanitation (Rand per household per month)	33	36	71	77	77	77	77	77	77
Electricity (kwh per household per month)	50	50	50	50	50	50	60	60	60
Refuse (average litres per week)									
<b>Revenue cost of free services provided (R'000)</b>									
Property rates (R15 000 threshold rebate)	7,646	10,136	9,398	13,224	13,224	13,224	13,020	13,801	14,629
Property rates (other exemptions, reductions and rebates)									
Water	1,822	2,070	2,277	3,028	3,028	3,028	5,142	5,451	5,778
Sanitation	1,781	1,987	3,507	4,797	4,797	4,797	6,460	6,848	7,259
Electricity/other energy	2,144	2,484	2,680	4,108	4,108	4,108	5,343	6,466	7,823
Refuse	2,489	2,774	4,322	5,962	5,962	5,962	6,807	7,216	7,649
Municipal Housing - rental rebates	732	828	932	1,298	1,298	1,298	1,307	1,385	1,468
Housing - top structure subsidies									
Other									
<b>Total revenue cost of free services provided (total social package)</b>	<b>16,613</b>	<b>20,279</b>	<b>23,116</b>	<b>32,418</b>	<b>32,418</b>	<b>32,418</b>	<b>38,080</b>	<b>41,167</b>	<b>44,607</b>

## **4. Overview of Annual Budget Process**

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### **Planning Process used to Prepare the Annual Budget**

Section 21 of the Municipal Finance Management Act, 56 of 2003, requires the mayor of a municipality to co-ordinate the process for preparing the budget and to review the Integrated Development Plan (IDP) and Budget Related Policies. A Budget Steering Committee must be established to assist in discharging the Mayor's budget preparation responsibilities.

The process started with the approval of a Time Schedule of the key deadlines for the IDP and Budget which was approved by Council on 26 August 2010. The dates outline the key deadlines for the preparation, tabling, and approval of the Annual Budget, the annual review of the IDP, Budget Related Policies, and subsequent Tabling and Adoptions of any amendments. The key deadlines outlined included the deadline for the consultative process as referred to in the Chapter 4 of the Municipal Systems Act.

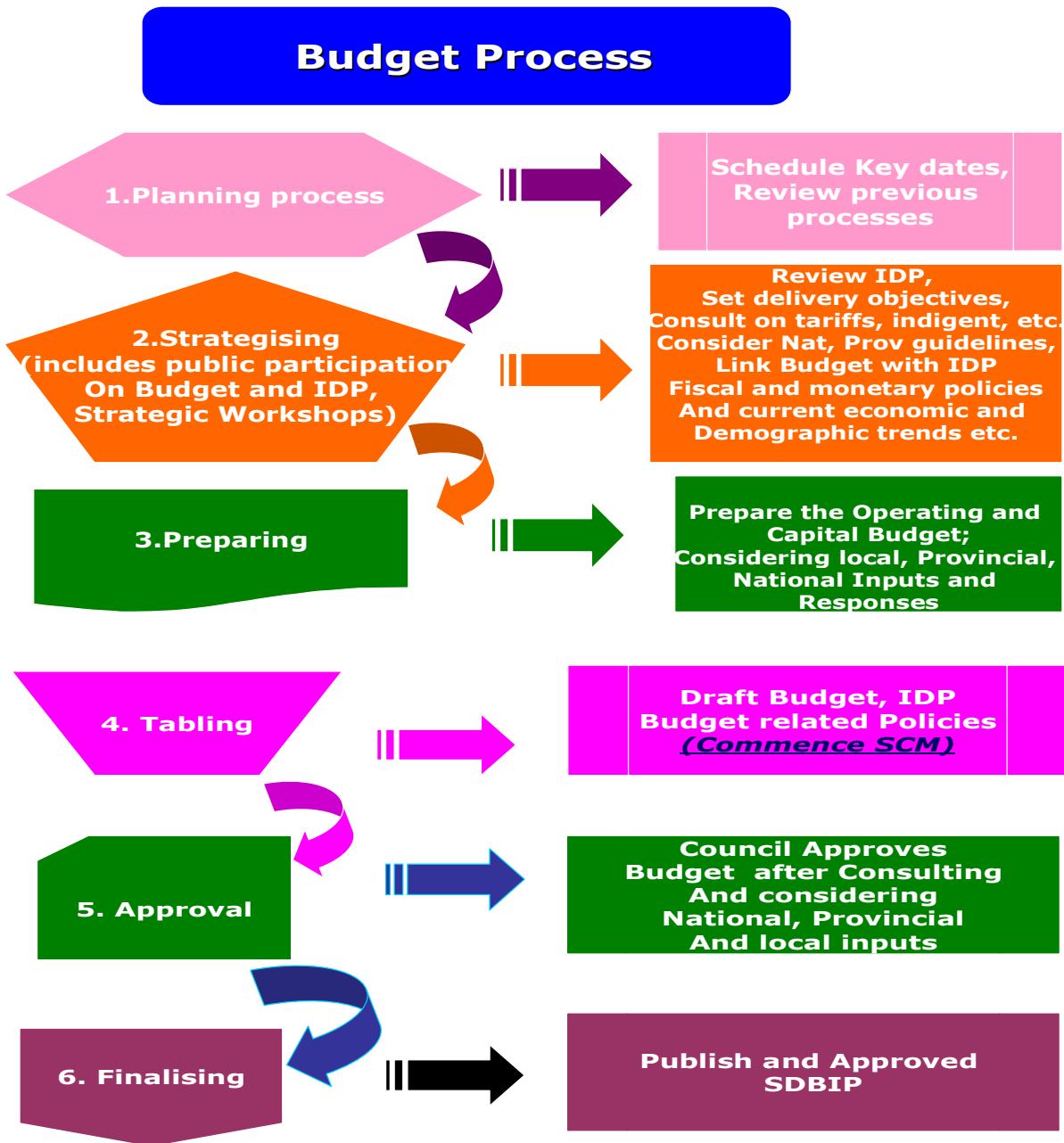
The next step in the Budget Process was Strategizing. A Strategic Planning Workshop of Councillors and Senior Management were conducted on 12<sup>th</sup> to 14<sup>th</sup> of September 2010 to strategize and agree upon Strategic direction of the Council which inform the IDP. The Public Participation meetings were held during October to November 2010 in order to include in the Integrated Development Plan.

After the Strategizing Phase and Compiling of the IDP a Draft Operating Budget and Capital Budget was prepared, informed by the IDP.

In preparing the budget the following were taken into account:

- The Integrated Development Plan (IDP)
- Revenue and Expenditure Projections for future financial years
- The (Draft) National and Provincial Strategic Objectives
- Division of Revenue Act (DORA) (The previous year's two outer years' indicative amounts)
- Realistically Anticipated Revenue
- Affordability and sustainability of Tariffs
- Level of Service and Cost-Recovery

The Draft Annual Budget was tabled by the Mayor on the 03 March 2011.



#### Process followed to Integrate the IDP and Preparation of the Budget

The Integrated Development Plan is reviewed annually through appropriate processes, mechanisms, and procedures that allow the local community to participate and be consulted on its Development needs and priorities as prescribed by the Municipal Systems Act. Previous process was reviewed, public participations were held where the Public provide input and assist with prioritisation in the Integrated Development Plan. These sessions were facilitated by TWK officials. The Annual Budget was informed and reconciled with the IDP and reflect the Developmental Needs of the Community. During public participation sessions of the IDP, Budget as well as Ward Meetings we heeded particular attention to informing the community of the needed service upgrading and or improvement which influenced and enabled the council to take informed decision when the Annual Budget was prioritized.

## **Process of Consultation with the Community and Key Stakeholders**

Strategizing include public participation on the Budget and IDP with the community and key stakeholders. Consultations held at various levels of civil society from the public via Ward Committees and Town Advisory Meetings as required by the Municipal System Act.

The Ward Committees and Town Advisory Forums serve as the representative forums of stakeholders and form the link between the Municipality and the community.

The purpose of the consultations was to engage and agree with community stakeholders on community needs, setting uniform, realistic, reasonable, and affordable service levels and appropriate tariffs for the delivery of municipal services to the communities.

Extensive advertising in local newspapers and the website was used to make the public aware of the IDP Process and to consult on the Budget. Approximately 1608 residents attended the meetings.

Phase	Activity	Date
<b>Planning</b>	Tabling of Draft IDP/Budget Process Plan for Council approval	26 August 2010
<b>Strategizing</b>	2030 Strategic Planning Workshop with Councillors (Council Chambers)	26 August 2010
	Strategic Workshop with Councillors and Management.	12-14September 2010
<b>Public Participation</b>	Ward and Town Advisory draft and prioritise Town and Ward IDP's incorporating strategic planning outcomes. .	04-08 October 2010
	Town Mangers and Ward Committees present outcomes of Draft IDP to the communities.	25 October - 11 November 2010
<b>Prioritisation</b>	Town Mangers and Ward committees reprioritize ward IDP's incorporating publics input.	22-25November 2010

## **Schedule of Key deadlines relating to the budget process [MFMA s 21(1) (b)]**

The IDP and Budget Time Schedule of the 2011/2012 Budget Cycle were approved by Council on 26 August 2010, 10 months before the start of the financial year in compliance with legislative (MFMA) requirements.

**2011- 2012 Revised Process Plan – Approved on 02 February 2011**

2011/2012 Amended Budget Process Plan	
Details	Deadline
Council in Recess	10 December 2010 - 19 January 2010
Submit Budgets in line with the IDP as discussed on 30 November 2010 workshop with the Council - also see e-mail from Budget Office dated Dec. 13. 2010	20 December 2010
First Draft Budget	24 December 2010
Closing of Offices	27 December 2010 - 31 December 2010
Submit amendments in current Budget (Adjustment Budget - Guidelines are given in this Memo)	7 January 2011
Discussion of Adjustment Budget with Directors	10/11 January 2011
Submit Agenda Items for Meeting on 25 January 2011	13 January 2011
Submit Proposed Tariffs/ Tariff Structure amendments	14 January 2011
Discussion of 2011/2012 Draft Budget and finalisation of Tariffs with Directorates	17 January 2011 - 21 January 2011
Approval of Adjustment Budget and Tabling of Mid year Assessment	25 January 2011
Budget Workshop	2 February 2011
Finalisation of Draft Budget	14 February 2011
Submit Agenda Items for meeting on 3 March 2011	21 February 2011
Approval of 2011/2012 Draft budget	3 March 2011
Public Participation Process (TAF's)	7 tot 18 March 2011
Submit Agenda Items for meeting on 28 April 2011	18 April 2011
Approval of 2011/2012 Budget	28 April 2011

## **5. Overview of Alignment of Annual Budget with IDP**

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It is considered that a well-run budget process that incorporates the IDP will facilitate community input, encourage discussion, promote a better understanding of community needs, provide an opportunity for feedback, and improve accountability, transparency, and responsiveness to the needs of the local communities.

### **Vision of Theewaterskloof Municipality**

*To ensure and preserve the heritage and natural resources within the region, create and develop a safe, healthy, crime free, economically stable and viable environment for all.*

### **Mission of Theewaterskloof Municipality**

*“To provide, develop and promote equal opportunities for everyone to stay in a safe, healthy, crime free, economically stable and viable environment through transparent and effective governance, politically stable, planning, services and the efficient and effective utilisation of resources”*

#### **GOAL:**

- Manage Expectations down to a realist, affordable and reasonable level
- Optimisation of management capacity
- Longer Term Planning
- Improve Service Levels
- Financial Viability
- LED

#### **STRATEGIC FOCUS AREAS**

The municipality opted to focus on five strategic areas which would result **in it overcoming its challenges and achieving its vision.**

	<b>The Five Strategic Areas from the Framework of the 5 Year IDP</b>	<b>KPA</b>
1	Ensure sustainable Financial Management and execute legislative requirements	Financial Viability and Management
2	Infrastructure and bulk service upgrades, replacements and expansions	Service Delivery and Human Settlement
3	Refine and improve the institutional capacity	Municipal Transformation and Organisational Development
4	Create an enabling environment for developing TWK economy	Local Economic Development
5	Improve administration in general	Good Governance

#### **5.1 KPA: SERVICE DELIVERY AND HUMAN SETTLEMENTS**

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##### **STRATEGIC OBJECTIVE 1:**

To ensure effective infrastructure and bulk upgrades, replacements and expansions in order to address infrastructure and bulk services backlogs and make provision for development:

**Objective (SD 1.1)**

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To effect all spending of capital funds as per approved cashflow program  
Objective (SD 1.2)  
Improve complaints system for purposes of infrastructural repairs and maintenance

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STRATEGIC OBJECTIVE 2:  
TO ADDRESS THE HOUSING BACKLOG IN THE THEEWATERSKLOOF AREA:

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Objective (SD 2.1)  
Increase the number of low cost housing  
Objective (SD 2.2)  
Role out of UISP as per plan adopted by development Portfolio committee

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STRATEGIC OBJECTIVE 3:  
ESTABLISH A HEALTHY “SOCIAL FABRIC”

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Objective (SD 3.1)  
Implementation of the Youth development strategy

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STRATEGIC OBJECTIVE 4:  
Achieve day to day service delivery standards in towns as per agreements with local communities and per corporate requirements

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Objective (SD 4.1)  
Achieve standards as prescribed in SLA's and SOP's  
Objective (SD 4.2)  
achieve at least silver status through Town grading processes in all towns  
Objective (SD 4.3)  
Improve Traffic and Law Enforcement  
Objective (SD 4.4)  
Improve Land Use Management

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**5.2 KPA: FINANCIAL VIABILITY AND MANAGEMENT**

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STRATEGIC OBJECTIVE 5:  
To ensure sustainable Financial Management of the Theewaterskloof Municipality and execute legislative requirements

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Objective (FV 1.1)  
Improve Debt Collection Rate  
Objective (FV 1.2)  
Expand the revenue base through effective data processing and management  
Objective (FV 1.3)  
Re-engineer the tariff structure as well as the budget and reporting model  
Objective (FV 1.4)  
Enable efficient business operations (i.e. promote good budget and fiscal management/expenditure reduction)

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**5.3 KPA: LOCAL ECONOMIC DEVELOPMENT**

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STRATEGIC OBJECTIVE 6:  
Create an enabling environment for a developing Theewaterskloof economy

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Objective (LED 1.1)  
SMME development in accordance with a market analyses and market creation intervention facilitated and managed by the TWK in terms of a formal strategy and action plan.  
Objective (LED 1.2)  
Implementation of Tourism strategy, special focus should be placed on the transformation of the tourism sector

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within the municipal area and to make specific provision for the creation of a sustainable informal tourism sector  
**Objective (LED 1.3)**  
special effort to be made for the optimum utilization of the Tourism potential the Koegelberg Biosphere may hold  
and to in the process enter into appropriate partnerships

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#### 5.4 KPA: MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

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##### STRATEGIC OBJECTIVE 7:

Refine and improve the institutional capacity of the municipality

###### **Objective (MTOD 1.1)**

Develop and introduce a professional fleet management programme and strategy that will inter alia address matters like maintenance, incident management, replacement and fleet and driver performance monitoring

###### **Objective (MTOD 1.2)**

Re-engineer and refinement of critical processes as per project plan

###### **Objective (MTOD 1.3)**

Establish a level of human capital productivity and develop a remedial strategy

###### **Objective (MTOD 1.4)**

Upgrade and maintain council facilities

###### **Objective (MTOD 1.5)**

Optimum utilization of the PMS in order to ensure that the continuous performance improvement process of the TWK is diagnostically addressed and analyzed

###### **Objective (MTOD 1.6)**

Improve turn around time of Town planning applications

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#### 5.5 KPA: GOOD GOVERNANCE

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##### STRATEGIC OBJECTIVE 8:

To improve administration in general, in towns and also between officials and councillors.

###### **Objective (GG1.1)**

Improve the Management of key financial and Governance areas

###### **Objective (GG1.2)**

Role out/implementation of Anti corruption strategy for councilors and officials

###### **Objective (GG1.3)**

Improve interdepartmental communication between headoffice and town offices.

###### **Objective (GG1.4)**

Improve council and committee monitoring and implementation of council resolutions

###### **Objective (GG1.5)**

Facilitate the establishment of Governance forums

###### **Objective (GG1.6)**

Plan and implement the restructuring, establishment, induction, training and institutionalization of council and ward committees

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##### STRATEGIC OBJECTIVE 9:

Foster a safe and secure environment.

###### **Objective (GG2.1)**

Establish a strategy to which law enforcement can be improved

###### **Objective (GG2.2)**

Implementation of the GSID Programme

###### **Objective (GG2.3)**

## Major Focus Areas with Linkages to IDP

FOCUS AREAS	Budget Allocation	Amount
Quick Wins	Service Delivery	R 1,500,000
Tourism Route & Bureau Support		315,000
LED (SMME directory, Marketing & Branding, Employment Intermediation)	LED	285,000
HIV / Aids & Crime & Substance Abuse	IDP	30,000
Special Projects: Junior Coucil, Town of the year, Community, Caledon, Botrivier and Greyton 200 year	All	495,000
Ward Committees: Stipends, Phone, Travel, Support, Training	Service Delivery / Corporate Govern.	220,000
Communication & Publications	Service Delivery / Corporate Govern.	231,900
Financial Viability	Financial Viability	350,000
Sustainable Livelihood	IDP	50,000
Grabouw Sustainable Plan	IDP	551,000
Updating of bylaws and reviewing of policies	All	230,000
Indigent Support	Financial Viability	18,549,269
Interest plus Redemption on Loans	Service Delivery	19,797,868
HAN/TWK Partnership	Service Delivery	150,000
Valuations and Property Management	Financial Viability	720,000
Refuse Dumping	Service Delivery	1,122,000
Computer Software/Licenses	Institutional Capacity	3,027,000
Audit Fees	Corporative Governance	1,650,000
Printing & Stationary	Institutional Capacity	776,975
Telephone	Institutional Capacity	1,527,200
Fees,Levies to SALGA and Other Institutions	Institutional Capacity	520,000
Service Charges	Institutional Capacity	5,828,578
Fuel & Oil	Service Delivery	2,773,600
Municipal Systems Improvement	Institutional Capacity/Corporative Governance/Financial Viability	1,200,000
Finance Management Reform & Financial Internship	Institutional Capacity/Corporative Governance	1,250,000
Community Development Workers Expenses	Service Delivery	156,000
Skills Levies,Staff Training,Health & Safety	Institutional Capacity/Corporative Governance	680,000
Protective Clothing	Institutional Capacity	1,062,500
Water Testing	Service Delivery	440,000
Insurance	Institutional Capacity/Corporative Governance	959,239
<b>Sub Total</b>		<b>R 66,448,129</b>
Repairs & Maintenance	Service Delivery	17,343,895
<b>Sub Total</b>		<b>R 83,792,024</b>
Contractor Services	Service Delivery	7,671,893
<b>Sub Total</b>		<b>R 91,463,917</b>
Salaries	Service Delivery / Corporate Govern.	100,810,424
Councillors Allowance	Service Delivery / Corporate Govern.	6,630,100
<b>Total</b>		<b>R 198,904,441</b>

## Quick Win Projects

VOTE NR	Project Name	Project Details	Town	Ward	Operating Amount	Capital Amount
10/10/90/90 Capital	Toilets Informal Settlements	To get more toilet facilities in informal settlement, create proper recreational area between Low Cost housing	Botrivier	7		100,000
10/10/10/13/7130/010	Beautification of town	Prepare open space for planting trees and grass for kids to play	Botrivier	7	25,000	
10/10/90/90 Capital	Sidewalks	Buy kerbs for preparations and prepare sidewalks for tarring	Caledon	3		20,000
10/10/90/90 Capital	Sidewalks	Tar sidewalks through main road in Bergsig to stabilize sidewalks	Caledon	3		80,000
10/10/90/90 Capital	Playpark	Preparation/Planting of grass on open space in Uitsig sor schoolchildren to play	Caledon	3		25,000
10/10/90/90 Capital	Buy materials	To enhance the entrance as well as sidewalks in the main roads in Caledon	Caledon	4		85,000
10/10/90/90 Capital	Sidewalks	Put the establishment of sidewalks out on tender	Caledon	4		40,000
				<b>Sub Total</b>	<b>25,000</b>	<b>350,000</b>
10/10/90/90 Capital	Billboards	Buying 2 advertisement boards for the entrances from Worcester and Grabouw to Villiersdorp	Villiersdorp	5		20,000
10/10/90/90 Capital	Establishment of Hawkers	Upgrade of hawkers area at entrance from Grabouw to Villiersdorp	Villiersdorp	5		60,000
10/10/90/90 Capital	Sidewalks	Paving of sidewalks in main road	Villiersdorp	5		45,000
10/10/90/90 Capital	Toilet facilities	Identify land for toilet facilities, laying out water pipes to land identified, go out on tender to buy toilets for residents	Villiersdorp	6		125,000
				<b>Sub Total</b>	<b>-</b>	<b>250,000</b>
10/10/90/90 Capital	Land & Building Maintenance	Building walking Bridges , Virenda for white house	Grabouw	8		125,000
10/10/10/13/7130/020	Poverty Alleviation	Job Creation Projects	Grabouw	9	125,000	
10/10/10/13/7130/020	Community Gardens	Establishment of Community gardens	Grabouw	10	125,000	
10/10/10/13/7130/020	Beautification of town	Cleaning of Informal Settlements	Grabouw	11	125,000	
10/10/90/90 Capital	Sportfields	Establishment of Mini Soccer and Netball Fields	Grabouw	12		125,000
				<b>Sub Total</b>	<b>375,000</b>	<b>250,000</b>
10/10/90/90 Capital	Main Road	Beautification of Main Road	RSE	1	125,000	
				<b>Sub Total</b>	<b>125,000</b>	<b>-</b>
10/10/90/90 Capital	Playpark	Expansion of existing play parks established in 2010/2011	Greyton/Genadendal	2		80,000
10/10/90/90 Capital	Playpark	New Play Park Greyton	Greyton/Genadendal	2		45,000
				<b>Sub Total</b>	<b>-</b>	<b>125,000</b>
					<b>525,000</b>	<b>975,000</b>
* Note: R125,000 per ward x 12 wards = R1,500,000					<b>Grand Total</b>	<b>1,500,000</b>

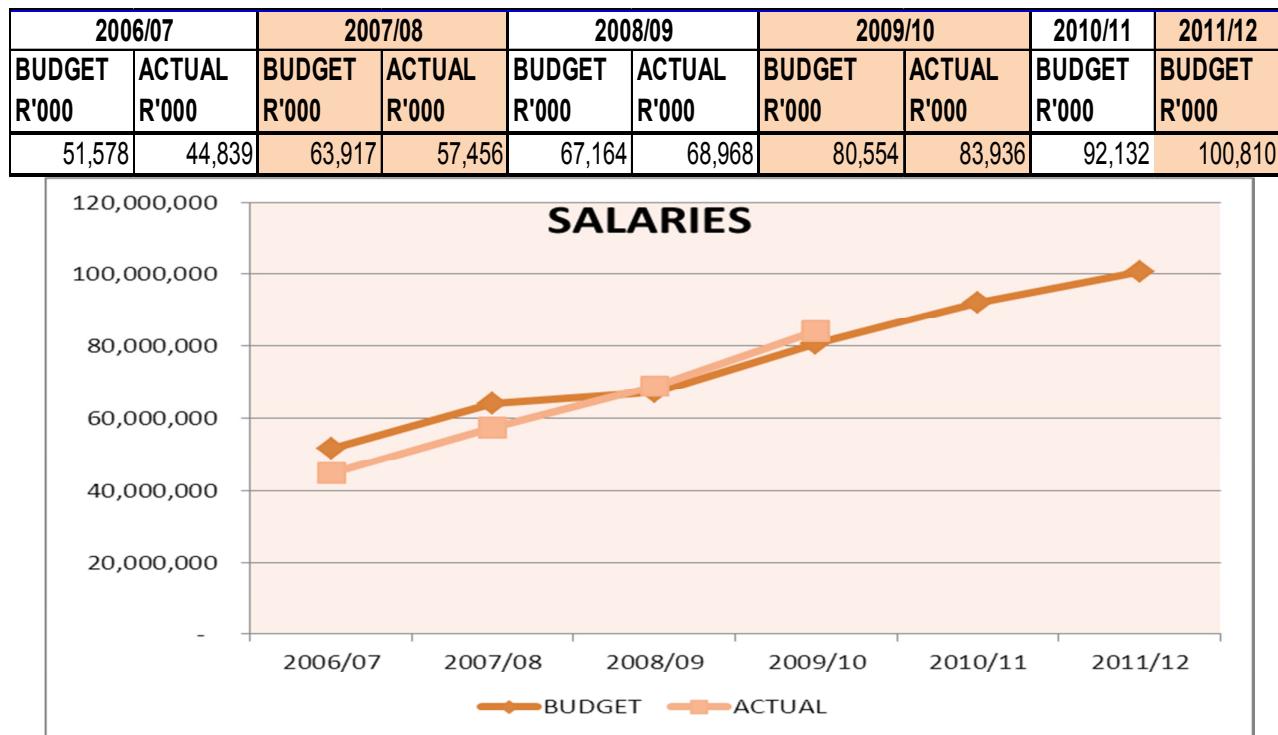
## 6. Measurable performance objectives and Indicators

### Key financial indicators and ratios (table SA8)

Description of financial indicator	Basis of calculation	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Borrowing Management</b>										
Borrowing to Asset Ratio	Total Long-Term Borrowing/Total Assets	18.7%	24.1%	22.3%	22.1%	22.1%	22.1%	20.4%	20.8%	20.9%
Credit Rating					B	B	B			
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	2.6%	5.1%	6.2%	8.4%	8.2%	8.2%	8.2%	8.0%	7.8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	117.7%	93.6%	0.3%	74.0%	91.1%	91.1%	76.2%	95.1%	100.0%
<b>Safety of Capital</b>										
Debt to Equity	Loans, Creditors, Overdraft & Tax Provision/ Funds & Reserves	58.1%	78.1%	73.0%	63.6%	63.6%	63.6%	59.1%	56.4%	54.5%
Gearing	Long Term Borrowing/ Funds & Reserves	1198.9%	11119.4%	254828.5%	3899.0%	3899.0%	3899.0%	314215.3%	377729.2%	447079.9%
<b>Liquidity</b>										
Current Ratio	Current assets/current liabilities	1.1	1.1	0.7	0.9	0.9	0.9	0.6	0.6	1.1
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.1	1.1	0.7	0.9	0.9	0.9	0.6	0.6	1.1
Liquidity Ratio	Monetary Assets/Current Liabilities	0.6	0.6	0.2	0.5	0.5	0.5	0.1	0.1	0.2
<b>Revenue Management</b>										
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		143.2%	110.5%	129.1%	129.1%	129.1%	99.9%	100.0%	100.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	10.1%	10.7%	12.8%	7.1%	7.1%	7.1%	9.9%	9.2%	16.6%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old									
<b>Creditors Management</b>										
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA's 65(e))	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Funding of Provisions</b>										
Provisions not funded - %	Unfunded Provs./Total Provisions									
<b>Other Indicators</b>										
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	8.7%	9.5%	8.2%	10.0%	10.0%	10.0%	8.0%	8.0%	8.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	11.3%	16.6%	15.5%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	32.4%	31.8%	37.3%	33.3%	34.2%	34.2%	36.9%	36.7%	36.1%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	35.2%	34.3%	39.8%	35.7%	36.4%	36.4%	39.3%	39.1%	38.5%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	3.6%	12.1%	13.9%	12.4%	12.2%	12.2%	13.7%	13.3%	12.8%
<b>IDP regulation financial viability indicators</b>										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	10.4	12.7	9.1	10.9	10.9	10.9	13.3	13.7	15.4
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	16.6%	17.7%	20.6%	11.4%	11.6%	11.6%	16.1%	14.7%	26.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	1.4	2.1	0.4	(2.6)	(2.5)	(2.5)	0.3	0.4	0.6

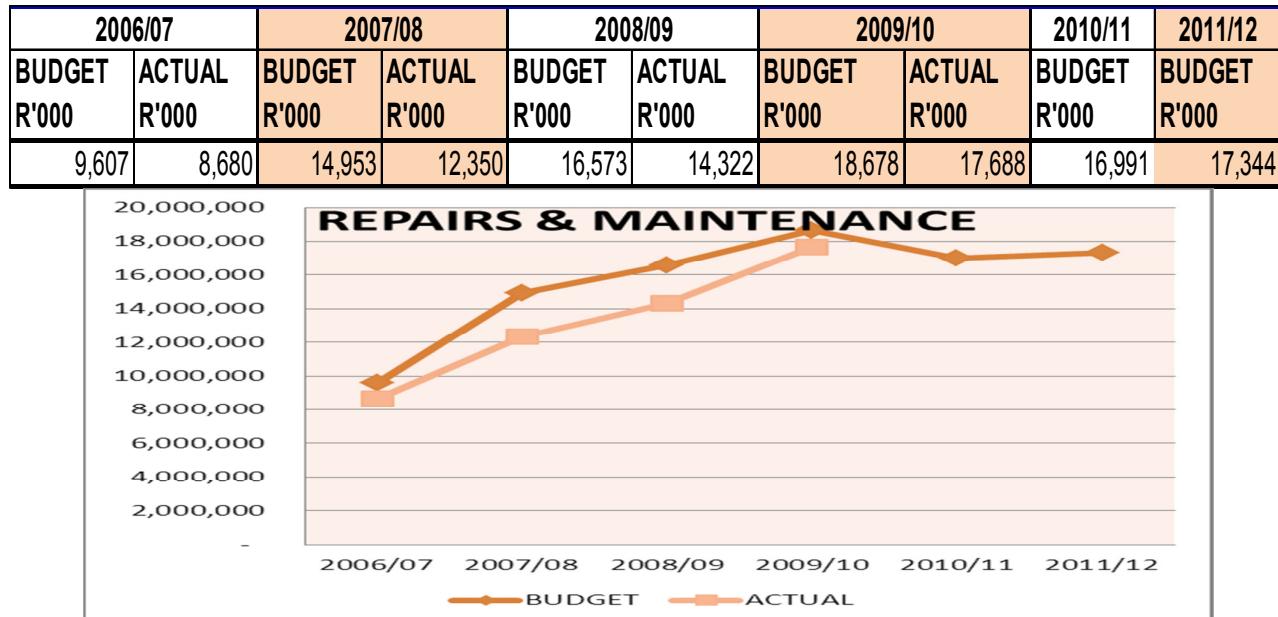
## Additional information

### Salaries



- The Salary Budget has increased with 11.5% (CPI average of 5% + 1.5% according to the SALGBC + 2% Notch Increase + 2% for implementation of TASK).

### Repairs & Maintenance



As alluded to in the National Treasury's Budget Guide Circular, serious Repairs And Maintenance and Renewal Backlogs exist in relation to Municipal Infrastructure, particularly in Electricity, Water Reticulation, Sewerage, Storm Water and Roads Systems. An assessment is required.

**Risks:** backlogs are impacting negatively on the Financial Sustainability and on the reliability and quality of municipal services, as well as municipalities' contribution to supporting economic growth. The following needs to be addressed:

- Details of Planned Repairs and Maintenance spending, and Renewal Projects
- Narrative Explanation that sets out what we have done to assess Repairs and Maintenance Backlog, Estimate of its Repairs and Maintenance.

## Loans

The following is an illustration of the Loans taken up for the past years.

2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
BUDGET R'000	BUDGET R'000	BUDGET R'000	BUDGET R'000	BUDGET R'000	BUDGET R'000
12,946	10,107	33,178	15,287	11,209	21,285

## Data Cleansing Project

The first Debtors Data Cleansing was conducted in Botrivier during July and August 2010 focussing on businesses and the tariffs charged. Many lessons were learned from this initiative. A Project Plan and Data Cleansing Steering Committee were established with representatives of all directorates.

The project aims to correct debtors' data, ensuring the problems do not re-occur, increasing the Revenue inflow and focussing on enhancing inter-departmental co-operation and communication. We also look diagnostically at problems detected and address the causes and processes.

The first Data Cleansing Steering Committee Meeting was held on the 16<sup>th</sup> of September 2010 and two meetings thereafter on the 29<sup>th</sup> of September 2010 & 13 October 2010. The Project Goals and Objectives were presented to Management on the 11<sup>th</sup> of October 2010 and to the Mayoral Committee on 25<sup>th</sup> of October 2010. The project was supported and well accepted.

Riviersonderend has been completed in January 2011 and will be used as the Pilot although the Businesses in Botrivier were already corrected. Officials visited Riviersonderend in order to identify all the various errors with the Debtor Data which was captured and corrected. Such corrections are communicated to the consumers (general notice to all consumers and specific letters to those affected).

## Roll-out Plan / Milestones:

Town	From (Est.)	To (Est.)
Greyton	06/02/2011	23/02/2011
Genadendal	23/02/2011	11/03/2011
Caledon	14/03/2011	08/04/2011
Botrivier	11/04/2011	21/04/2011
Villiersdorp	26/04/2011	20/05/2011
Grabouw	23/05/2011	31/07/2011

## **7. Overview of Budget Related Policies**

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The following Budget-Related Policies have been approved by Council or have been reviewed and amended in line with National Guidelines and Legislation.

### **7.1. Tariff Policy**

The municipality wishes to achieve the following by adopting this policy:

1. To comply with the provisions of Section 74 of the Local Government: Municipal Systems Act, 2000 (MSA): the municipality must adopt and implement a Tariff Policy on the levying of fees for municipal services provided by municipality
2. To comply with Section 62(1) (f) of the MFMA which states that the Accounting Officer must ensure that a municipality has and implement a Tariff Policy
3. To prescribe Procedures and Principles (as defined in Section 74 (2) of the MSA) for calculating tariffs where the municipality wishes to implement service providers in terms of Section 76(b) of the Act.
4. To give guidance regarding tariff proposals and calculations

The policy ensures a holistic and comprehensive overview on all the revenues / charges levied.

### **Amendments**

Under section 7.2 Calculation of Minor Tariffs the following additions:

Traffic Escort Services to be added to the list under the section: "The following services shall be considered as economic services, and the tariffs levied shall cover 100% or as near as possible to 100% of the budgeted annual operating expenses of the service concerned."

Parking Fees to be added to the list under the section: "The following tariffs and charges shall be considered as regulatory or punitive, and shall be determined as appropriate in each annual budget".

### **ELEKTRISITEIT**

### **PRYSBELEID**

**Die raad bepaal dat elektrisiteitstariewe op die volgende basis bepaal sal word:**

- Die pryse sal bepaal word inlyn met die Nasionaal goedgekeurde Elektrisiteitsprysbeleid.'
- Die vlak van tariewe sal so bepaal word dat die totale elektrisiteitsinkomste die totale koste van elektrisiteitsvoorsiening sal dek insluitend dievolgende:
  - Die aankoopkoste plus enige eie opwekkings kostes.
  - Die onderhoudskoste van die network.
  - Die kiente dienste en administrasie betrokke by die lever van elektrisiteitsdienste.
  - Die nodige voorsienings soos slechte skulde, opgehoopte verlof, ens.
  - Voorsiening vir kapitaal vir die uitbreiding van die network en upgradering van die huidige verouderde bates.
  - Alle dienste wat deur buite partye of enige ander department van die Municipaaliteit aan elektrisiteit gelewer word.
  - Minus enige dienste aan ander partye gelewer.
  - Plus 'n toeslag (surplus) op elektrisiteit as bydra tot munisipale belastingsverligting.

- Die individuele tariewe sal as volg bepaal word:
  - Tariewe moet in individuele vlak en struktuur so ver moontlik die struktuur en vlak van koste van voorsiening dek:
    - Basiese heffings om die vaste maandelikse kostes te dek.
    - Kapasiteits of maksimum aanvraag heffings moet network kostes te dek plus gedeelte surplus.
    - Energie heffings om energie kostes per tyd van gebruik te dek plus gedeelte surplus.
  - Tariefkatagorieë moet volgens die verskillende kiente tipe gehef word wat primer deur koste van voorsiening en meterings oorwegings bepaal moet word.
  - Voorsiening vir die subsidieering van armes moet as volg gemaak word:
    - Kiente wat bereid is om hul kapasiteit te laat beperk tot 15 Ampere en wat met 'n voorafbetaal meter voorsien is.
    - Die tarief sal slegs een energie heffing hê sonder enige basiese heffing of kapasiteits heffing.
    - Die energiekoers sal hoër wees as die gewone koste reflektiewe tariewe ten einde gelyk te breek met die relevante koste reflektiewe tarief by 'n teiken van 400 kWh/m. Hierdie gelykbreekpunt mag na gelang van omstandighede verander.
  - Die raad sal voortgaan om 'n lys vir armlastiges in stand te hou. Die' kiente sal aan die kondisies vir die gesubsidieerde tarief moet voldoen en sal dan 50 kWh/m (of soos van tyd tot tyd bepaal) gratis ontvangs wat deur die "Equitable Share" gedek moet word.
  - Kiente kan met voorafbetaalde meters voorsien word volgens die beleid soos van tyd tot tyd bepaal word en die tarief sal onafhanklik wees van die meter tipe.
  - Die finansieele impak (verlies) van die subsidieering van die armes sal deur alle elektrisiteitskiente as a gelyke c/kWh toeslag gedra word.
- Die tariewe sal voorgelê word aan NERSA vir goedkeuring. Indien NERSA se goedkeuring nie in lyn is met Nasionale en Raads beleid nie sal die Raad teen die besluite appelleer.

## **TARIEWE**

Die Raad maak die volgende tariewe beskikbaar:

TARIEF	KOMPONENTE MEETEENHEDE			
	Basiese heffing R/Verbruiker/ Maand	Energie heffing (c/kWh)	Tyd van gebruikte energie heffings	Maksimum aanvraag/ kapasiteits heffings (R/kVA/maand)
Eenledige Tarief (Slegs energiekoste)		X		
Tweeledige Tarief (Basiese & energie)	X	X		
Drieledige Tarief	X	X		X
Volledige Tyd van gebruik Tarief	X		7	2

## **EENLEDIGE TARIEF (SLEGS ENERGIEKOSTE)**

Tarief is geskik vir huishoudings met 'n lae verbruik (<400kWh per maand). Die tarief word gesubsidieer. Die kruissubsidie word minder namate die verbruik styg en word ten volle uitgefaseer op 'n maandelikse verbruik van 400kWh, waarna dit meer voordeilig moet wees om oor te skakel na die tweeledige tarief.

## **TWEELDIGE TARIEF**

Die tarief is geskik vir huishoudelike verbruikers met 'n hoë verbruik (> 400kWh/m) of kapasiteit groter as 15 Ampere en vir kleiner besigheidskliente.

- Die basiese heffing moet die beraamde vaste kiente koste dek.
- Daar moet na 'n drie ledige tarief beweeg word in tyd waar die network kostes deur 'n kapasiteits heffing gedek word.
- Vir nou moet die network, energie en surplus deur die energie heffing gedek word.

## **DRIELEDIGE TARIEF**

Die tarief is geskik vir die groter besighede en industriële verbruikers. Alle verbruikers met 'n aanvraag van meer as 50 kVA moet op hierdie tarief of die tyd van gebruik tarief wees.

- Die basiese heffing moet die beraamde vaste kiente koste dek.
- Die maksimum aanvraagheffing verhaal die network kostes plus gedeeltelike surplus en die energie heffings dek die aankoopkoste en res van die surplus. .

## **VOLLEDIGE TYD VAN GEBRUIK TARIEF**

Die tarief is geskik vir groter kiente. Dit is net die mees koste reflektiewe tarief nie maar bied die geleentheid aan kiente om last te verskuif na goedkoper tye en daardeur hul rekenings te verlaag. Die doel is om alles kiente > 50 kVA so gou moontlik na die tarief te skuif.

- Die basiese heffing moet die beraamde vaste kiente koste dek.
- Die kapasitietsheffing dek die beraamde ondeelbare gedeelte van die network kostes. Die heffing word bereken op die grootste van die Aangemelde aanvraag of die aangetekende masimum aanvraag.
- Die maksimum aanvraagheffing verhaal die gemeenskaplike gedeelte van network kostes plus gedeeltelike surplus en word bereken op die hoogste aanvraag aangeteken elke maand.
- Die energie heffings dek die aankoopkoste en res van die surplus. Die energie heffings word bepaal op Eskom se aankoopkostes per tyd van gebruik periode plus dieselfde c/kWh toeslag vir al die tydperkte.
- Die reaktiewe energie heffing word bepaal om die Eskom reaktiewe energie heffing te dek asook om 'n pryssein vir die raad se kiente te stuur om hul arbeidsfaktor goed te hou.

### **7.2. Credit Control and Debt Collection Policy**

This policy has been formulated and developed in order to comply with Section 96 - 98 of the Local Government: Municipal Systems Act, 2000 which states:

In terms of Section 96 of the MSA a municipality-

- (a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
- (b) for this purpose, must adopt, maintain and implement a Credit Control and Debt Collection Policy which is consistent with its rates and tariff policies and complies with the provisions of the MSA.

This policy is also aimed at guiding officials in the legislative implementation of processes necessary to ensure optimal revenue generation and collection. Increased revenue forms the basis for effective service delivery, infrastructure development, and economic growth.

In line with the objective of creating a vibrant and growing municipality, the Credit Control, and Debt Collection Policy is also aligned to the Batho-Pele Principles.

### **Amendments**

1. An account should be opened in the name of the Tenant, provided that the Owner gives Written Consent that the Tenant is the occupant, the amount of Monthly Rental Payable and a further undertaking that the Owner must inform Council in writing when the Tenant vacates the house in order to terminate the subsidy. If not terminated, the owner will be held liable for any undue subsidies granted to him (owner) or a new Tenant. (A separate Group Code must be opened for "Tenants Indigents".)
2. That the Requirement that Municipal Debt should not be in arrears will be waved as a requirement for SMME's and that it be agreed that debt payments must be deducted from payments due to appointed tenderers who owes the municipality. (This section should also be included in the Supply Chain Management Policy.)

### **7.3. Indigent Policy**

In terms of Section 74 of the Local Government Municipal Systems Act 2000, a municipal council must adopt and implement a Tariff Policy.

In terms of Section 74 (2) (c) and (i) of the MSA in adopting a Tariff Policy, the council should ensure that poor households have access to basic services and at least take into consideration the extent of subsidization of tariffs for poor households.

The Indigent Policy provides the procedures and guidelines in the application, criteria and adjudication of applications for subsidizing of basic services and tariff charges to indigent households.

### **Amendments**

1. That Chapter 2, paragraph 1.6 of the compassionate policy be amended as follows:

"Owners or Lessees of property who reside on the premises. (Lessees must submit a lease contract)"

2. That, if a prepaid meter is installed at low-cost housing schemes, no deposit or connection fees for Water are payable.

3. The "Spouse Support/Care Grant" or "Child Support Grant" should not be added to the Indigents Qualifying Income Threshold.
4. In cases where the owner/s of the house (eg. mother and father) has passed away and the occupant children are indigent, they should qualify for the subsidy, provided that an Affidavit is provided that they are the children/relatives and legitimate occupants of the house along with certified copies of the Death Certificate/s.
5. Chapter 2 Point 1 must read as follows:

To qualify applicants should meet all of the following criteria.

6. Change the following paragraphs under chapter 2 point 1:

Insert: 1.6 Beneficiaries of an immovable property and where the property is not yet transfer into the beneficiaries' name and who lives on the property.

1.7 1.6 Property owners who live on the premises.

1.8 1.7 Secondary households on a premises where water and refuse amounts are rendered may apply separately for Indigent Subsidy.

7. Chapter 2 (Section 5.6 of the Indigent Policy) which states:

~~"The household must apply for continuation of the relief depending on his/her circumstances. (Existing indigents will be reviewed annually by the end of February.)"~~

This section should be amended to exclude Old Age Pensioners and Permanent Disabled Pensioners who are Indigent.

#### **7.4. Cash Management and Investment Policy**

In terms Section 13 (2) of the Municipal Finance Management Act, 2003 the municipality must establish an appropriate and effective Cash Management and Investment Policy.

The objectives of the policy are to ensure optimal performance with the least possible risk, in managing and investing the cash resources of the municipality and to ensure transparency, accountability, and appropriate lines of responsibility.

#### **7.5. Grant in Aid Policy**

A Grant in Aid Policy was developed and approved by council in 28 October 2010 in terms of Section 67 of the MFMA.

It deals with processes and procedure to be followed when the municipality allocates grants to other institutions in an equitable and transparent manner and in line with IDP Objectives.

Provisions and disclosure must be made for Allocations under consideration in the draft budget and other prescribed budget related documents for public comments.

Applications are made in line with Section 67 of the MFMA and the policy on a prescribed application form. The name of the institution, grant amount and description should be disclosed on the Grant Statement.

### **7.6. Asset Management Policy**

This policy has been designed to assist management and officials of the Theewaterskloof Municipality with the description and management procedures for Property, Plant and Equipment, Intangible Assets, and Investment Property.

It further aims to ensure that the assets of the municipality are properly accounted for, marked and to ensure that assets are utilized and maintained in an economic, effective, and efficient manner to ensure optimal utilization, value for money and sustainable service delivery.

### **7.7. Risk Management Policy**

Section 62 (1) of the MFMA requires that the Accounting Officer takes all reasonable steps to ensure that the municipality has and maintains effective, efficient, and transparent systems of Financial and Risk Management, of internal control and of internal audit as well as the effective, efficient, and economical use of the resources of the municipality.

The purpose of the Risk Management Policy is to enable the municipality not only to comply with legislation but also to manage risks by reducing/eliminating the likelihood and impact of risks in a pro-active, responsible and structured manner.

### **7.8. Virement Policy**

Virement is process of transferring funds from one line item to another within one vote with the approval of the relevant Senior Manager and CFO, to enable Budget Manager to transfer funds from one vote line-item with anticipated savings to another.

The aim is to improve financial controls over the processes and procedures of transferring funds and to ensure accountability and improved Budgetary Control.

### **7.9. Anti-Corruption Policy**

To ensure that the Municipality is in compliance with the Municipal Systems Act, Act No 32 of 2000 which requires the Municipality, amongst other things to develop and adopt appropriate systems and procedures that contribute to effective and efficient management of the municipality and its resources.

### **7.10. Funds and Reserves Policy**

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003) (MFMA), an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes. and
- Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced with if the funding sources have been considered, are available and have not been committed for other purposes.

The Council sets as objective a long term financially sustainable municipality with acceptable levels of service delivery to the community.

This policy aims to set standards and guidelines in ensuring financial viability over both the short- and long term and includes funding- as well as reserves requirements.

All the above-mentioned Policies were approved by Council and are reviewed at least annually.

## **8. Overview of Budget Assumptions**

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The Challenge of the International, National and Local Economy is limited Resources versus unlimited needs. Theewaterskloof Municipality is no exception as the unlimited needs of the community as outlined in the IDP are far more than the limited revenue and resource capacity of the municipality. This is largely the reason for adopting Financial Viability as one of our long-term themes defined as improved sustainable revenue capacity versus sound financial resource management.

The Ministerial Advisory Committee defines **Financial Viability** as “the ability of a local authority to fulfil its constitutional and legislative responsibilities. Resources to fulfil these obligations are derived from both the Equitable Share received and distributed nationally, as well as the revenue a municipality can raise locally”.

The Strategy is based on a Commitment to:

- provide the necessary services and infrastructure to our communities;
- create a sustainable local economic development programme conducive for communities to thrive;
- possess requisite institutional capacity necessary to perform municipal functions and exercise powers and functions
- budget adequately,
- manage the financial resources prudently
- grow the revenue base;
- create a productive public participation in initializing, planning and executing municipal projects

The following problem areas are key to factors to be addressed in the next 5 years to ensure that the municipality is financial viable:

- ***Productivity and Cost Cutting Measures***
- ***Backlogs in Infrastructure***
- ***Uncontrolled Influx of Indigent People***
- ***Narrow Revenue Base of the municipality***
- ***Lack of Accurate Data Required for Longer term Financial Planning***
- ***Unfunded Mandates***

“Mind the Gap” has been identified in the previous financial year. It remains relevant as it is crucial to narrow the gap between the expectations of the departments, the wider community of TWK and the financial and other resource capacity of the municipality. This includes managing and reducing high stakeholders/ community expectations and increasing capacity/ resources/ efficiency and effectiveness. First, it is important to determine / assess the financial health and potential (where we are). Then match available resources and potential resources (including financial) against Service Delivery, Infrastructure and Capital Needs for the next 5 years.

**Local Economic Development (LED)** is a very important focus area as we need to broaden our Revenue Capacity by developing in the area. The Successful implementation of the Local Economic Development Strategy is a very important to enhance the Financial Viability of the municipality as LED have a definite impact on job creation, development, etc.

The Primary Focus of LED is:

- Social and Economic Development and Tourism.
- Tourism promotion and destination marketing
- SMME Development and Support
- Launching of the Cape Country Meander Tourism Route

**Service Delivery** remains a challenge for South African municipalities. Since 2006/2007 the municipality has embarked on a process of filling vacancies to ensure that we have the capacity to deliver services (payroll has almost doubled since 2006/2007). The South African Government highlighted targets to accelerate Service Delivery in SA and TWK acknowledges it.

The following table illustrates the Service Delivery Targets set by the South African Government

<b>Sector</b>	<b>Minimum standard 2014 target</b>
Water	All households to have access to have at least clean piped water 200m from household.
Sanitation	All households to have access to at least ventilated pit latrine on site.
Electricity	All households to be connected to the national grid.
Refuse Removal	All households to have access to at least once a week refuse removal services.
Housing	All existing informal settlements to be formalised with land use plans for economic and social facilities and with provision of permanent basic services.
Other (education, health, roads, transport, sports and recreation, street trading, community halls, parks, etc.)	Standard for access for all other social, government, and economic services must be clearly defined, planned, and where possible, implemented by each sector together with municipalities.

The following Demographic, Socio-Economic and Financial Factors and Principles impact on the budget:

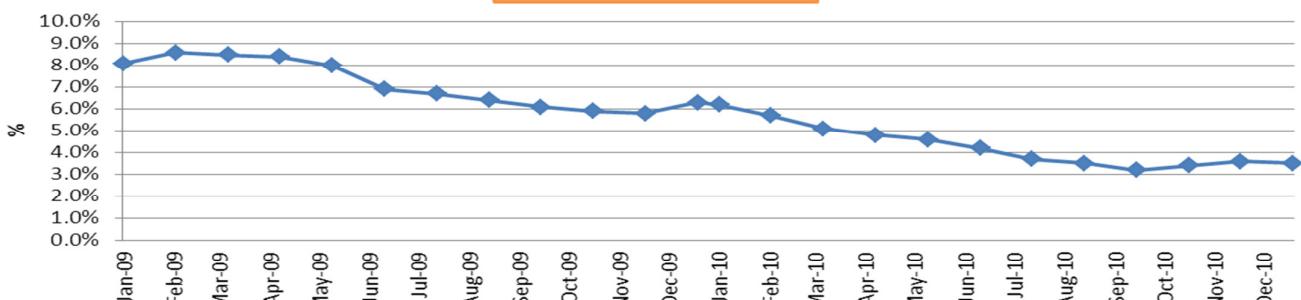
- CPI
- Interest Rates
- Fuel Price
- Economic Growth
- Economic Recession/ Job Losses
- Councilors' and Officials' Remuneration
- Debt Collection Rate
- Tariff Adjustment
- Indigent Increase
- Informal Settlement Control
- Migration/ Population Increase
- Equitable Share
- Bulk Purchase Tariff Increase

#### **Consumer Price Index (CPI)**

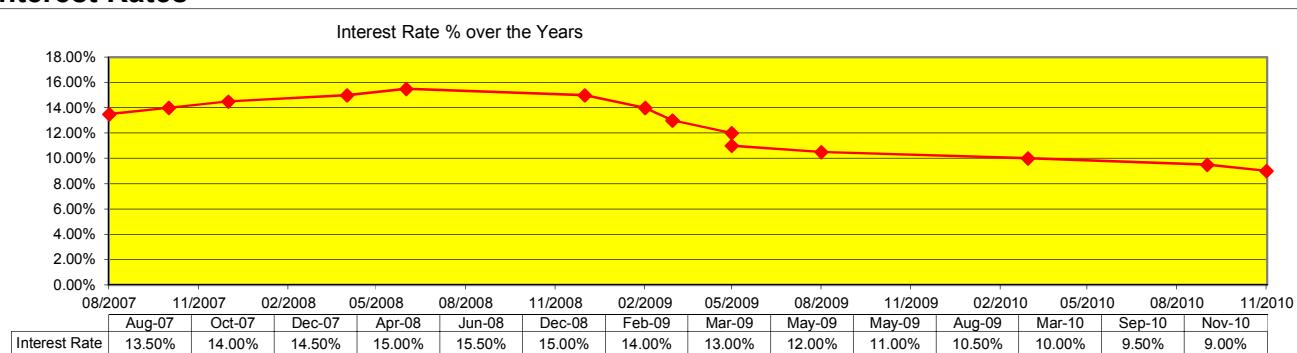
The CPI averaged at 11.5% in 2008, 7.1% in 2009 and 4.3% in 2010. The current CPI inflation rate is 3.5% (based in CPI for December 2010). Minister Pravin Gordhan (Minister of Finance) announced in his 2010/2011 Budget Speech, that the CPI is expected to remain around the 6% upper boundary of the South African Reserve Bank's inflation target and that CPI is expected to vary between 6.2% and 5.9% for the two outer years, 2011/12 and 2012/13.

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
2010	6.20	5.70	5.10	4.80	4.60	4.20	3.70	3.50	3.20	3.40	3.60	3.50	4.3
2009	8.10	8.60	8.50	8.40	8.00	6.90	6.70	6.40	6.10	5.90	5.80	6.30	7.1
2008	9.20	9.80	10.60	11.10	11.70	12.20	13.50	13.70	13.10	12.10	11.70	9.50	11.5

### CPI : 2009 - 2010



### Interest Rates



The Prime Interest Rate has declined since December 2008 from 15% to 9% currently.

### Fuel Price

We are only 2 months into 2011 and already the fuel price has increased by 26c in January and will increase again on 02 March 2011. The fuel price has a major impact on service delivery, especially refuse removal and sewerage to some extent. The increase in fuel prices adds to the pressure on municipalities budgets.

### Economic Growth

We live in uncertain and rapidly changing times, as evidenced by the recent uprisings in North Africa and the Middle East (specifically in Egypt, Tunisia, Algeria, Libya and Bahrain).

The prevailing political uncertainty and government debt crisis especially in Europe, will no doubt impact on the global economic outlook, as can be seen by the oil price breaching the \$100p/b level.

Gill Markus, President of the South African Reserve Bank, mentioned the following statements in her speech on the 4<sup>th</sup> of February 2011.

*"The past couple of years have been a difficult time for the global economy, but there are signs of a recovery. The South African recovery has been relatively hesitant, and while we are an emerging economy, some of the characteristics of our recovery have been more in line with those of the established world economies. However recent indicators are more positive and suggest that the recovery will be sustained and we can look forward to more vibrant growth in the coming years. But significant challenges remain. For instance, TWK's main economic activity is agriculture and is reliant on exports. The strong Rand can present challenges from an exchange perspectives.*

*The South African economy began to recover from the crisis in the second half of 2009, after three consecutive quarters of contraction. Growth in 2010 is estimated to have been in the order of 2,7%, but more favourable outcomes are expected in 2011 and 2012. The current Reserve Bank forecasts, which are somewhat below the market consensus, are for growth to average 3,4% in 2011 and 3,6% the following year, suggesting the persistence of the negative output gap. While these levels of growth are an improvement on the recent past, they are significantly below the levels achieved in the period before the global crisis, when growth averaged in excess of 5% from 2004."*

### **Economic Recession/Job Losses**

The current growth rates are also insufficient to make significant inroads into the unemployment rate which increased from 21,9 % in the fourth quarter of 2008 to 25,3% by the third quarter of 2010. This underlines the need to generate higher levels of growth. However, as much of South Africa's unemployment problem is structural in nature, it needs to be addressed through structural microeconomic interventions, and the new growth path, as outlined by government, goes some way in this direction.

TWK has supported this initiative by utilizing the Expended Public Works Program (EPWP). There are also plans to levy Parking Fee sin all the major towns of TWK, which will also be a new stream of revenue for TWK as well as creating a few jobs in the area.

### **Councillors and Officials Remuneration**

The approved annual increase of Official's Remuneration is CPI + 1.5% (ie 6% + 1.5% = 7.5%) and we made a provision for Notch Increases and TASK at 2% each. The percentage increase is negotiated and agreed by the SA Local Government Bargaining Council this is beyond the control of the Municipality.

Councillors Remuneration is expected to increase by 10% and is also beyond the control of the municipality as the National Government in terms of Remuneration of Public Office Bearers Act determines council increases.

### **Debt Collection Rate**

The target for Debt Collection Rate for 2011/2012 is 95% and is determined in accordance with the realistically anticipated collection trends.

We have upgraded our Prepaid Electricity Vending System and a tender Elec was awarded on 21 January 2011 for the replacement of all household conventional electricity meters with Prepaid electricity Meters. This project, will be completed approximately by the end of 2011 or beginning of 2012.

The installation of Prepaid Water Meters to households is also being rolled out at a rapid pace and along with the Electricity Prepaid Meters installation these are extremely important

interventions which will improve credit control and reduce outstanding debt because consumers will pay in advance and cannot consume above affordability levels. This is a pro-active and strategic approach. It is expected that 4,000 will have been installed by the end of June 2011.

The impact of 4,000 Prepaid Water Meters in households will result in a Water Debt Reduction of ± R3.3m per annum (10kl p.m. = R62.73 x 13) and ± R2.7m for Electricity Debts which represents ± 6.4% of Annual Water and Electricity Revenue.

### **Statistics of Pre-paid Water Meters Installed**

Town	Installation			
	How many already installed	How many to be installed	When	Vendors
Caledon	400	599	Current	2
Grabouw				
Grabouw	857	1 183	current	2
Villiersdorp	10	471	"2011/12	1
Riviersonderend	4	415	11-Feb	1
Greyton	148	136	90%+	2
Genadendal	502	496	90%+	2
Botrivier	207	219	90%+	1
Tesselaarsdal	8	102		
<b>Total</b>	<b>2 136</b>	<b>3 621</b>		

### **Tariff Adjustment**

Problem Statement on Historical Tariff calculations:

- Tariffs calculations have for many years been neglected by just adding a certain percentage increases annually.
- There were no (adequate) cost calculations for the delivery of basic services either in respect of their current delivery costs or return on investment for replacement. It can therefore be a challenge to sustain the service in the long term.
- There is no easy way of understanding how the tariff policy was converted into Financial Strategies.
- Numbers and Departments were never actively participating in revision of the Budget-Related Policies and more specifically the Tariff Policy.
- Tariff calculations were not easily understandable and hindered transparent community participation.
- Using Budgeting and Accounting Systems which neglect the Principles of Cost Accounting

The establishment of the Costing Unit, we have commenced with Tariff Modelling with the P3 Partnership and Tariff Re-engineering, a "zero-base" approach to improve on tariff setting, ensuring that the principles of benefit-received, cost of service and cost-recovery, affordability and sustainability is really taken into consideration.

Along with the Debtors' Data Cleansing Project and closer liaison between all directorates, this has already yielded significant positive results.

For the first time in many years there have been separate discussions and workshops on Tariffs and Revenue generation.

We embarked on a vigorous process of Tariff Re-engineering for the 2011/2012 Budget and this will continue.

A Briefing- Session was conducted by CFO on 08 November 2010 and a full day One-on-One Sessions were held with Directors Operations, Development and Technical Services and Town Managers on 11 November 2010.

These engagements were dedicated to tariffs and the process of rationalization of services, identification of various categories of consumers, the level of services rendered/demanded and the levying of appropriate cost-recovery tariffs.

Costing of Service has started where deficits were registered e.g. Garden Refuse Services, Lei Water and Sewer Tanker Services.

Additional income sources were identified e.g. Penalty Charges for illegal inflows of Water in Sewer System and Escorting Services, Parking Fees etc.

Tariff Re-engineering runs parallel with Debtors Data Cleansing which objective it is to ensure that all consumers and fixed property owners are levied all the appropriate Municipal Services and Assessment Rates charges.

Two towns have been completed and significant losses/under-recovered revenue was detected.

### **Pillars of Tariff Re-engineering**

- Each Directorate was tasked to describe the services rendered, the level and frequency of such services rendered per customer type and identify the tariffs of all services for which they are responsible. Appropriate cost-recovery tariffs were calculated. Not all charges for services rendered reflect full cost recovery.
- Services rendered by the Departments vary and the functions and some activities were not necessarily correctly set out/described in the Tariff Policy and Tariffs.
- Tariffs for which departments are responsible must be kept “clean” and current / updated. The type, pricing and standard of services must be stipulated unambiguously in the Tariff Policy.
- There are several services for which no Tariff and/or Policy exists.
- Revision of Tariffs has been neglected for many years and must take place annually as this can be influenced by Service Level Agreements and the Financial Viability Strategy. Tariffs should also provide a return on investment s, sufficient to allow for expansion or replacements.
- Rationalization of services was also considered as it is expected to lead to cost-savings and free up resources which would allow the Municipality to focus on other critical services.
- Special cases require unique charges and had to be identified. The Tariff Policy must clearly define the service and stipulate the tariffs and should not be subjected to different interpretations.

### **Factors impacting on Tariff Increases**

The proposed tariff increases must consider the following:

- Affordability
- Economic Recessions, Job Losses
- Councillors Remuneration
- Personnel Cost
- Escalating Fuel Prices
- Economic Indicators (CPI, Interest Rates)
- Escalating Bulk Purchases Prices (Water and Electricity)
- Increasing Indigents

- Electricity Bulk Price Increases (Eskom)
- Repairs and Maintenance
- Willingness and Ability to Pay
  - ✓ The Level/Standard of Service: the higher the level and standard, the higher the tariffs.
  - ✓ Benefit Received
  - ✓ Affordability
  - ✓ Reputation: Good Governance
  - ✓ Good Service Delivery also ensures improved willingness to pay
  - ✓ Recover of Capital and Usage Costs

#### **Deliverables**

- The possibilities of Rationalisation of Tariffs (number reduced)
- Tariffs and Tariff Policy simplified for easy understanding and enhanced transparency.
- Service Delivery Cost fully calculated and tariffs should reflect full cost.
- Tariff Setting ensures the Sustainability of Services.
- Tariff Policy must reflect the Financial Strategies.

The Following illustrate the difference between the 2010/11 and 2011/12 tariff increase:

<b>Particulars</b>	<b>2010/11</b>	<b>2011/12</b>
Rates	8.9 %	6.9%
Electricity	21 %	20.38%
Refuse	8.9 %	6%
Sewerage	8 %	6%
Water	5 %	5.9%

#### **Equitable Share**

The Equitable Share increased with R3,280m (7.5%) from 2010/11 to 2011/12.

<b>Years</b>	<b>Equitable Share</b>	<b>Indigent Subsidy</b>	<b>Subsidy as a % of Equitable Share</b>
<b>2007/2008</b>	<b>R20,720m</b>		
<b>2008/2009</b>	<b>R25,680m</b>	<b>R10,143m</b>	<b>39.50%</b>
<b>2009/2010</b>	<b>R34,242m</b>	<b>R13,714m</b>	<b>40.10%</b>
<b>2010/2011</b>	<b>R43,655m</b>	<b>R19,486m</b>	<b>44.60%</b>
<b>2011/2012</b>	<b>R46,935m</b>	<b>R18,549m</b>	<b>39.52%</b>

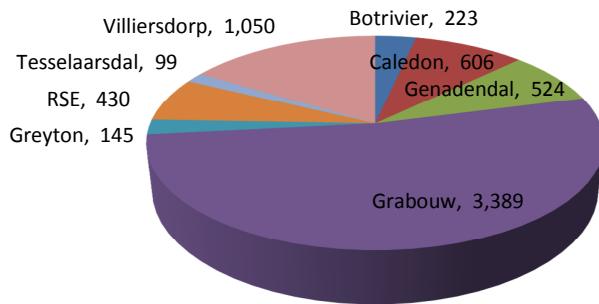
#### **Indigents Subsidy**

The number of indigent Households is projected to increase from ±6,000 to ±8,000. This anticipated increase is mainly caused by high levels of unemployment in the Theewaterskloof region, Agricultural Seasonal Employment and Influx of Indigent people seeking greener pastures. This trend will have a significant impact on the Equitable Share Grant Allocation.

The most recent Indigent statistics is reflected below:

<b>Towns</b>	<b>Botrivier</b>	<b>Caledon</b>	<b>Genadendal</b>	<b>Grabouw</b>	<b>Greyton</b>	<b>RSE</b>	<b>Tesselaarsdal</b>	<b>Villiersdorp</b>
Indigent Households	223	606	524	3 389	145	430	99	1 050

## Indigent Households



### Cost of Indigents Subsidy:

There is a differentiation between the Formal Indigent Households (mostly RDP Houses) and Informal (mostly in Informal Settlements).

The Indigent table below reflects the Free Basic Services Provided and the Cost of such services.

<b>Formal</b>					
<b>Particulars</b>	<b>Amount 2011/2012</b>	<b>Per Diens</b>	<b>Amount 2010/11</b>	<b>Amount 2009/2010</b>	<b>Amount 2008/09</b>
Water Basic	61.22	R 2,938,560.00	R 65.84	R 55.00	R 50.00
Electricity		R 816,359.47	R 45.60	R 32.37	R 30.00
Refuse	81.04	R 3,889,920.00	R 87.15	R 70.20	R 36.00
Sewer	81.53	R 3,913,440.00	R 87.67	R 71.20	R 36.00
<b>Total Individual Subsidy p.m.</b>	<b>223.79</b>		<b>R 286.26</b>	<b>R 228.77</b>	<b>R 152.00</b>
Projected No. of Households	4,000.00		3800	3000	3000
<b>Grand Total p.m.</b>	<b>895,160.00</b>		<b>1,087,788.00</b>	<b>686,310.00</b>	<b>456,000.00</b>
No. of months	12		12	12	12
Electricity 1026 X 1.1051 X 60kwh	68,029.96				
	12				
	816,359.47				
	<b>11,558,279.47</b>	<b>R 11,558,279.47</b>	<b>R 11,637,471</b>	<b>R 8,235,720</b>	<b>R 5,472,000</b>
Admin Fee	1,733,741.92	1,733,741.92	R 1,745,621	R 1,235,358	R 820,800
<b>Grand Total</b>	<b>13,292,021.39</b>	<b>13,292,021.39</b>	<b>R 13,383,092</b>	<b>R 9,471,078</b>	<b>R 6,292,800</b>

<b>Informal</b>					
<b>Particulars</b>	<b>Amount 2011/2012</b>	<b>Per Diens</b>	<b>Amount 2010/11</b>	<b>Amount 2009/2010</b>	<b>Amount 2008/09</b>
Electricity		R 691,200.00	R 39.17	R 32.37	R 30.00
Refuse	39.47	1,894,560.00	R 37.62	R 34.20	R 31.00
Sewer	15.40	739,200.00	R 14.85	R 13.50	R 12.00
Plot Rental	25.97	1,246,560.00	R 24.75	R 22.50	R 20.00
<b>Total Individual Subsidy p.m.</b>	<b>80.84</b>		<b>R 116.39</b>	<b>R 102.57</b>	<b>R 93.00</b>
Projected No. of Households	4,000.00		3800	3000	3000
<b>Grand Total p.m.</b>	<b>323,360.00</b>		<b>442273</b>	<b>307710</b>	<b>279000</b>
No. of months	12		12	12	12
	3,880,320.00				
Electricity ESKOM	57,600.00				
	12				
	691,200.00				
	<b>4,571,520.00</b>	<b>4,571,520.00</b>	<b>R 5,307,279</b>	<b>R 3,692,520</b>	<b>R 3,348,000</b>
Admin Fee	685,728.00	685,728.00	R 796,092	R 553,878	R 502,200
<b>Grand Total</b>	<b>5,257,248.00</b>	<b>5,257,248.00</b>	<b>R 6,103,371</b>	<b>R 4,246,398</b>	<b>R 3,850,200</b>

<b>Summary</b>					
<b>Indigent Monthly Total + Admin</b>	<b>13,292,021.39</b>		<b>R 13,383,092</b>	<b>R 9,471,078</b>	<b>R 6,292,800</b>
<b>Informal Monthly Total + Admin</b>	<b>5,257,248.00</b>		<b>R 6,103,371</b>	<b>R 4,246,398</b>	<b>R 3,850,200</b>
<b>Total pa</b>	<b>18,549,269.39</b>		<b>19,486,462.78</b>	<b>13,717,476.00</b>	<b>10,143,000.00</b>
<b>Total pm</b>	<b>1,545,772.45</b>		<b>1,623,871.90</b>	<b>1,143,123.00</b>	<b>845,250.00</b>
<b>Budget Amount:</b>	<b>18,549,269.39</b>				

The difference between indigent calculation mentioned above and table A10 is Plot Rental and Admin Fee that amounts to R3,666,030.

### **Informal Settlement Control**

Based on a survey conducted by Land Mapping Solutions (LMS) on population growth for Theewaterskloof Municipality, it was found that the number of informal settlement and backyard dwellings is increasing at a rapid pace.

**Grabouw** one of the largest towns in the area has an estimated total population of 6,137 households in low income housing areas. About 46.1% of the total households are shacks as identified in the survey. Another 18.9 % of the estimate total population has been identified as backyard dwellings. Other towns identified in survey are Villiersdorp and Botrivier with increasing informal settlements and backyard dwellings.

**Villiersdorp** has an estimated total of 2,727 households. About 50% of the total households are shacks, 36.7 % are main dwellings, and 13.3% are backyards.

**Botriver** has an estimated total population of 1,005 households in informal areas and about 41% of the total households are shacks.

Based on the survey conducted by LMS it is evident that squatter control is becoming an unavoidable issue which needs to be managed more pro-effectively.

### **Migration/ Population Increase**

Increase in population remains a challenge in the Theewaterskloof area. Currently our population growth average at 1.26%, that brings our estimated population to 110, 000 for 2011.

The rapid population growth is especially in the Grabouw and Villiersdorp Farms is due to the agriculture sector being one of the major economic activities in TWK. The agriculture sector, more intensively in the Fruit production is labour-intensive and seasonal. These farm workers are only economically active for a certain period of the year and can contribute to revenue (municipal service) only during that period.

The result of the increase in the population is that there is an increase pressure on our public services such as Clinics, Law Enforcement, and our infrastructure and land availability for houses.

*[Source: 2009/2010 Annual Report]*

## **9. Overview of Budget and Funding**

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In terms of Section 18 of the Municipal Finance Management Act, an Annual Budget may only be funded from:

- Realistically anticipated revenues to be collected
- Cash backed accumulated funds from previous years surpluses not committed for other purposes
- Borrowed funds, but only for the Capital Budget (Fixed assets, Infrastructure, Property, Plant and Equipment)

The budget recognizes compliance to the following:

- Credible, consistent and responsive to the municipality's IDP
- Funded and achievable in terms of service delivery
- Institutional Needs Analyses and takes into consideration Risk Analyses, Internal, and External Factors impacting on service delivery.
- Contains Revenue and Expenditure Projections that are consistent with current and past year performances.
- The municipality has overcome all the major obstacles which had an impact on its capacity to spend its budget and render services. These include blockages in the form of staff, policies, procedures, and processes. Ageing Fleet is still being addressed.
- Does not jeopardize the Financial Viability of the municipality.

### **1. 2010/2011 Budget and 2011/2012 to 2013/14 projected financial performance**

#### **1.1 Operating Budget**

The operating budget increased from R269,652 in 2010/11 to R273, 109 in 2011/12, R297,888 in 2012/13 and R330,252 in 2013/14.

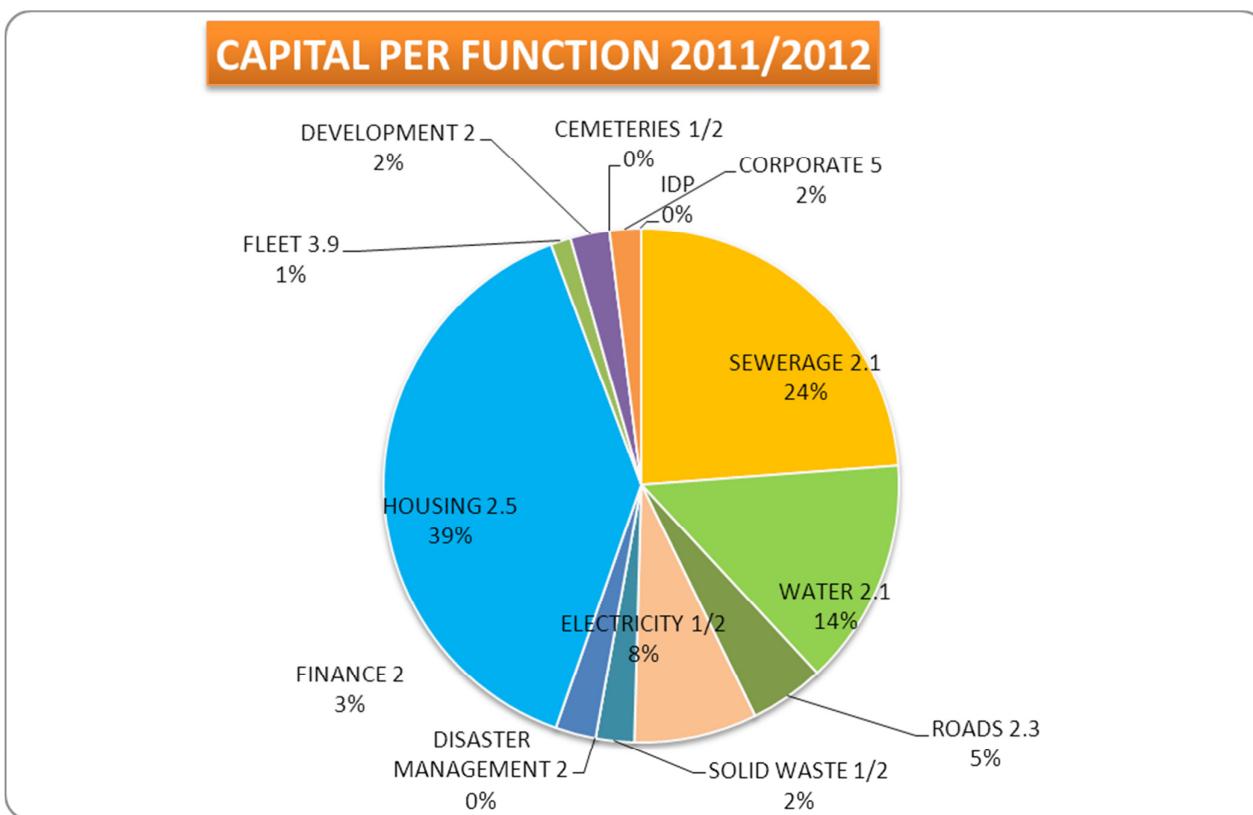
REVENUE SUMMARY	2011/2012	2012/2013	2013/2014
	Budget	Budget	Budget
Assessment Rates	-40,182,504	-43,068,898	-46,607,574
<b>Services:</b>			
Electricity	-57,053,791	-68,987,592	-83,423,691
Water Sales	-37,689,995	-40,159,142	-43,409,071
Refuse Removal	-14,084,557	-14,409,554	-15,632,809
Sewerage	-14,797,360	-15,214,030	-16,489,072
<b>Sub Total</b>	<b>-123,625,703</b>	<b>-138,770,318</b>	<b>-158,954,643</b>
Traffic Fines	-5,058,300	-5,462,964	-5,900,001
Investment Interest / Penalties	-7,700,000	-8,316,000	-8,981,280
Licences & Permits	-62,760	-67,780	-73,203
Rentals	-1,533,910	-1,656,623	-1,789,153
Sundry/ Other Income	-42,441,091	-45,991,197	-50,006,445
<b>Grand in Aid:</b>			
Grants - Equitable Share	-46,935,000	-51,892,000	-55,272,000
Grants - Other Operating Purposes	-5,570,000	-2,662,000	-2,668,000
<b>Sub Total</b>	<b>-52,505,000</b>	<b>-54,554,000</b>	<b>-57,940,000</b>
<b>Net Operating Revenue</b>	<b>-273,109,269</b>	<b>-297,887,780</b>	<b>-330,252,299</b>
<b>Gross Revenue</b>	<b>-273,109,269</b>	<b>-297,887,780</b>	<b>-330,252,299</b>

EXPENDITURE SUMMARY	2011/2012	2012/2013	2013/2014
	Budget	Budget	Budget
Employee related costs	100,810,424	109,379,311	119,223,447
Councillors' Allowances	6,630,100	7,226,809	7,877,222
<b>General Expenses:</b>			
Other: General Expenditure	75,896,281	78,662,553	84,137,353
Fuel & Oil	2,773,600	2,912,280	3,057,928
Municipal Services & Assessment Rates	7,032,650	7,518,085	8,037,089
Telephone	1,527,200	1,631,854	1,744,089
<b>Sub Total</b>	<b>87,229,731</b>	<b>90,724,772</b>	<b>96,976,459</b>
Provision for Working Capital	4,033,606	4,356,294	4,704,798
Bulk Purchases	42,873,388	52,244,730	63,878,087
<b>1. Repair &amp; Maintenance:</b>			
Other: Repairs & Maintenance	5,179,465	5,638,673	5,992,445
Grounds & Buildings	5,148,650	5,462,069	5,794,608
Networks	4,199,160	4,315,430	4,574,355
Repair: Vehicles	2,816,620	2,985,617	3,164,754
<b>Sub Total</b>	<b>17,343,895</b>	<b>18,401,788</b>	<b>19,526,163</b>
Contractor Services	15,600,653	16,659,900	17,791,558
Capital Charges	14,303,253	15,441,653	16,833,093
<b>Net Operating Expenditure</b>	<b>288,825,050</b>	<b>314,435,258</b>	<b>346,810,827</b>
2. Capital Out of Revenue	3,186,772	-	-
<b>Net Expenditure</b>	<b>292,011,822</b>	<b>314,435,258</b>	<b>346,810,827</b>
1. Repair & Maintenance:	17,343,895	18,401,788	19,526,163
2. Capital Out of Revenue	3,186,772	-	-
<b>Total of tables A1 &amp; A4</b>	<b>271,481,155</b>	<b>296,033,469</b>	<b>327,284,664</b>

## 1.2 Capital Budget

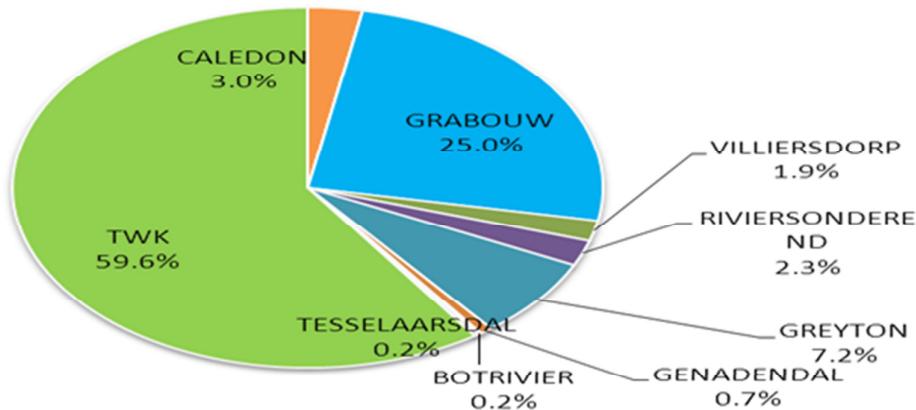
The Capital Budget increased from R82,043 in 2010/11 to R87,304m in 2011/12, R70,045m in 2012/13 and R77,966m in 2013/2014.

CAPITAL PER FUNCTION			
	2011/2012	2012/2013	2013/2014
SEWERAGE 2.1	20,796,509	22,925,085	19,121,831
WATER 2.1	12,419,612	2,526,000	7,000,000
ROADS 2.3	4,085,000	6,893,915	10,556,169
ELECTRICITY 1/2	6,730,000	4,690,000	-
SOLID WASTE 1/2	2,109,000	-	-
DISASTER MANAGEMENT 2	-	300,000	-
FINANCE 2	2,211,772	-	-
HOUSING 2.5	33,977,000	32,480,000	34,238,000
FLEET 3.9	1,100,000	-	4,500,000
DEVELOPMENT 2	2,150,000	-	-
CEMETERIES 1/2	-	-	50,000
CORPORATE 5	1,725,000	230,000	-
IDP	-	-	2,500,000
	<b>87,303,893</b>	<b>70,045,000</b>	<b>77,966,000</b>



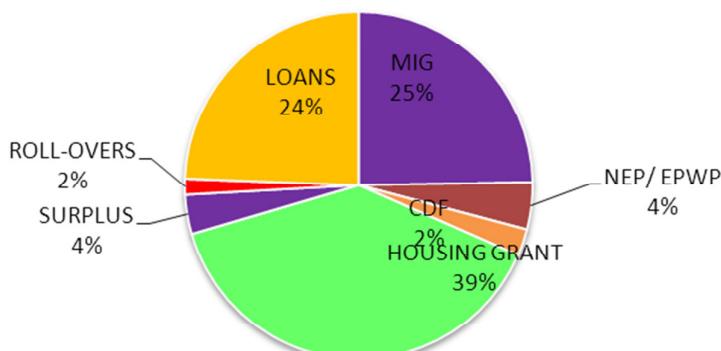
CAPITAL PER TOWN			
	2011/2012	2012/2013	2013/2014
CALEDON	2,600,000	3,160,000	-
GRABOUW	21,816,799	11,544,651	-
VILLIERSDORP	1,630,000	12,604,360	16,000,000
RIVIERSONDEREND	1,993,000	740,000	50,000
GREYTON	6,315,322	2,424,000	4,000,000
GENADENDAL	600,000	300,000	-
BOTRIVIER	150,000	2,524,000	3,121,831
TESSELAARSDAL	200,000	-	-
TWK	51,998,772	36,747,989	54,794,169
	<b>87,303,893</b>	<b>70,045,000</b>	<b>77,966,000</b>

### CAPITAL PER TOWN 2011/2012



CAPITAL SOURCES			
	2011/2012	2012/2013	2013/2014
MIG	21,577,000	26,235,000	27,678,000
NEP/ EPWP	3,828,000	-	2,500,000
CDF	2,150,000	560,000	-
HOUSING GRANT	33,977,000	32,480,000	34,238,000
SURPLUS	3,186,772	-	-
ROLL-OVERS	1,300,000	-	-
LOANS	21,285,121	10,770,000	13,550,000
	<b>87,303,893</b>	<b>70,045,000</b>	<b>77,966,000</b>

### CAPITAL SOURCES 2011/2012



## 2011/2012 Capital per Project

TOWN / WARD	PROJECT	FUNCTION / STAT FOCUS AREAS	MIG 11/12	Other Grants NEP BIG 11/12	CAPITAL DEVELOP- MENT FUND	Housing Grant	SURPLUS CASH	LOANS 11/12	ROLL OVERS 2010/2011	2011/2012 TOTAL
Caledon	Upgrading of Basil Newmark St network	Electricity 1/2						550,000		550,000
Grabouw	Upgrading of WWTP	Sewerage 2.1	15,890,187							15,890,187
Villiersdorp	Upgrading of WWTP	Sewerage 2.1	300,000							300,000
Greyton	Greyton-Genadendal Link Sewer	Sewerage 2.1	2,917,827					408,495		3,326,322
Grabouw	Bulk Water Capacity Upgrading (Phase 3 ) New 550 to 500 mm dia pipeline between Eikenhof Dam and Worcester Street Pump station & Collinskop Booster PS	Water 2.1	618,986					4,907,626		5,526,612
Riversonderend	Upgrading of bulk water supply	Water 2.1						1,693,000		1,693,000
Genadendal	Environmental Impact Study for Sewerage Network in Bereaville	Sewerage 2.1						600,000		600,000
TWK	Fleet	Fleet 3.9						1,100,000		1,100,000
Greyton	Greyton Genadendal solid waste transfer station	Solid Waste 1/2	1,850,000					259,000		2,109,000
Tesselaarsdal	Waste water treatment package plant Turnkey	Sewerage 2.1						200,000		200,000
TWK	Proclaimed Main Roads	Roads 2.3		2,828,000				707,000		3,535,000
TWK	Environmental Impact Studies Development Port Erf 595, Greyton Land to be developed for Light industrial purposes Caledon	Development 2			250,000					250,000
Grabouw	Servicing of 4 industrial erven 2766, 2767, 2770 and 2771, Grabouw	Development 2			400,000					400,000
Caledon	Extention 12( Land Surveyor, Town Planner, Civil Eng Planning)	Development 2			1,500,000					1,500,000
TWK	Pre-paid Water Meters/ Water Demand Management	Water 2.1						5,200,000		5,200,000
TWK	Housing	Housing 2.5				33,977,000				33,977,000
TWK	Electricity prepaid meters	Electricity 1/2						3,000,000	1,300,000	4,300,000
Villiersdorp	Toilet facilities for Central Business area	Sewerage 2.1						180,000		180,000
Villiersdorp	Toilet facilities for informal residential area	Sewerage 2.1						150,000		150,000
Riversonderend	Building of Municipal Storehouse	Corporate 5						300,000		300,000
Caledon	Upgrading of Donkinplein	Roads 2.3						450,000		450,000
Caledon	Repair Vlei Street Bridge to Middleton	Roads 2.3						100,000		100,000
Botrivier	New France - Toilet Facilities and water.	Sewerage 2.1						150,000		150,000
Villiersdorp	Bulk infrastruktur in Villiersdorp by Goniwe Park.	Electricity 1/2		1,000,000						1,000,000
TWK	Opgradering van Raadsaal - Hoofkantoor, Caledon	Corporate 5						250,000		250,000
TWK	Installering van 'n hysbak by Caledon Stadsaal	Corporate 5						200,000		200,000
TWK	Quick wins	Corporate 5						975,000		975,000
TWK	Inventaris Items	Finance 2						2,211,772		2,211,772
	Total		21,577,000	3,828,000	2,150,000	33,977,000	3,186,772	21,285,121	1,300,000	87,303,893

## 2012/2013 Capital per Project

TOWN / WARD	PROJECT	FUNCTION/ STAT FOCUS AREAS	MIG 12/13	CAPITAL DEVELOP- MENT FUND	Housing Gran 12/13	LOANS 12/13	2012/2013
							TOTAL
Botrivier	Eradication of Septic tank system (Installation of sewer reticulation)	Sewerage 2.1	2,524,000				2,524,000
Greyton	Eradication of Septic tank system (Installation of sewer reticulation)	Sewerage 2.1				300,000	300,000
Caledon	Bergsig Substation	Electricity 1/2				2,600,000	2,600,000
Grabouw	Upgrading of WWTP	Sewerage 2.1	6,562,725				6,562,725
Greyton	Upgrading of Water Treatment Plant	Water 2.1				100,000	100,000
Villiersdorp	Upgrading of Caledon & Unielaan	Electricity 1/2				420,000	420,000
Villiersdorp	Upgrading of Graaf St	Electricity 1/2				330,000	330,000
Villiersdorp	Upgrading of WWTP	Sewerage 2.1	10,554,360			1,000,000	11,554,360
Grabouw	Rooidakke stormwater	Roads 2.3	2,593,915			300,000	2,893,915
Greyton	Greyton-Genadendal Link Sewer	Sewerage 2.1				1,424,000	1,424,000
Caledon	Upgrading of Caledon WWTP sub station & purchase of two aerators & Gormann Rupp pomp	Sewerage 2.1		560,000			560,000
Genadendal	Flood protection/damage projects	Disaster Management 2				300,000	300,000
Grabouw	Bulk Water Capacity Upgrading (Phase 3 ) New 550 to 500 mm dia pipeline between Eikenhof Dam and Worcester Street Pump station & Collinckop Booster PS	Water 2.1				2,088,011	2,088,011
Greyton	Replace part of 11kV line behind Cemetery (Phase 1)	Electricity 1/2				600,000	600,000
Riviersonderend	Upgrading of Buitekant St network	Electricity 1/2				320,000	320,000
Riviersonderend	Upgrading of Voortrekker St network	Electricity 1/2				420,000	420,000
TWK	Upgrading of streets & Storm water	Roads 2.3	4,000,000				4,000,000
Villiersdorp	2 ML reservoir at Ham Street	Water 2.1				300,000	300,000
TWK	Water Reticulation Replacement	Water 2.1				37,989	37,989
TWK	Housing	Housing 2.5			32,480,000		32,480,000
TWK	Opgradering van bestaande Sekuriteitstsel: Hoofkantoor, Caledon	Corporate 5				230,000	230,000
	<b>Total</b>		<b>26,235,000</b>	<b>560,000</b>	<b>32,480,000</b>	<b>10,770,000</b>	<b>70,045,000</b>

**2013/2014 Capital per Project**

TOWN / WARD	PROJECT	FUNCTION/ STAT FOCUS	MIG	NEP	BIG	Housing Gra	LOANS 13/14	2013/2014
								TOTAL
Botrivier	Eradication of Septic tank system (Installation of sewer reticulation)	Sewerage 2.1		3,121,831				3,121,831
Greyton	Eradication of Septic tank system (Installation of sewer reticulation)	Sewerage 2.1					3,000,000	3,000,000
Greyton	Upgrading of Water Treatment Plant	Water 2.1					1,000,000	1,000,000
Villiersdorp	Upgrading of WWTP	Sewerage 2.1	11,000,000				2,000,000	13,000,000
Riviersonderend	Expansion of existing cemetery and Povision of toilet facility	Cemeteries 1/2					50,000	50,000
TWK	Upgrading of streets & Storm water	Roads 2.3	10,556,169					10,556,169
TWK	Fleet	Fleet 3.9					4,500,000	4,500,000
Villiersdorp	2 ML reservoir at Ham Street	Water 2.1	3,000,000					3,000,000
TWK	Water Reticulation Replacement	Water 2.1					3,000,000	3,000,000
TWK	Housing	Housing 2.5				34,238,000		34,238,000
TWK	Community Centre	IDP		2,500,000				2,500,000
	<b>Total</b>		<b>27,678,000</b>	<b>2,500,000</b>	<b>34,238,000</b>	<b>13,550,000</b>	<b>77,966,000</b>	

### 1.3. Particulars of Investments

Monetary investments by type (Table SA15)

Investment type	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
R thousand									
<b>Parent municipality</b>									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank	8,642	25,485	4,987	21,000	21,000	21,000	4,000	7,000	12,000
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
Municipal Bonds									
<b>Municipality sub-total</b>	<b>8,642</b>	<b>25,485</b>	<b>4,987</b>	<b>21,000</b>	<b>21,000</b>	<b>21,000</b>	<b>4,000</b>	<b>7,000</b>	<b>12,000</b>
<b>Entities</b>									
Securities - National Government									
Listed Corporate Bonds									
Deposits - Bank									
Deposits - Public Investment Commissioners									
Deposits - Corporation for Public Deposits									
Bankers Acceptance Certificates									
Negotiable Certificates of Deposit - Banks									
Guaranteed Endowment Policies (sinking)									
Repurchase Agreements - Banks									
<b>Entities sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated total:</b>	<b>8,642</b>	<b>25,485</b>	<b>4,987</b>	<b>21,000</b>	<b>21,000</b>	<b>21,000</b>	<b>4,000</b>	<b>7,000</b>	<b>12,000</b>

Monetary investments by maturity date (Table SA16)

Investments by Maturity Name of institution & investment ID	Period of Investment Yrs/Months	Type of Investment	Expiry date of investment	Monetary value	Interest to be realised
				Rand thousand	
<b>Parent municipality</b>					
ABSA Bank		Call deposit		4,000	
<b>Municipality sub-total</b>				<b>4,000</b>	<b>-</b>
<b>Entities</b>					
<b>Entities sub-total</b>				<b>-</b>	<b>-</b>
<b>TOTAL INVESTMENTS AND INTEREST</b>				<b>4,000</b>	<b>-</b>

## 1.4 GRANT ALLOCATIONS 2011/2012

The table below reflects the 2010 Division of Revenue Act (4 of 2010) Grant Allocations

### NATIONAL ALLOCATIONS

GRANT			2011/12	2012/13	2013/14
		BUDGET	BUDGET	BUDGET	
	R'000	R'000	R'000		
EQUITABLE SHARE	OPEX	46,935	51,892	55,272	
FINANCIAL MANAGEMENT GRANT (FMG)	OPEX	1,250	1,500	1,500	
MUNICIPAL SYSTEMS IMPROVEMENT GRANT (MSIG)	OPEX	1,200	1,000	1,000	
MUNICIPAL INFRASTRUCTURE GRANT (MIG)	CAPEX	21,577	26,235	27,678	
National Electrification Grant (NEP)	CAPEX	1,000	-	-	
EXPANDED PUBLIC WORKS PROGRAMME (EPWP)	OPEX	1,701	-	-	
<b>TOTAL NATIONAL GRANTS</b>		<b>73,663</b>	<b>80,627</b>	<b>85,450</b>	

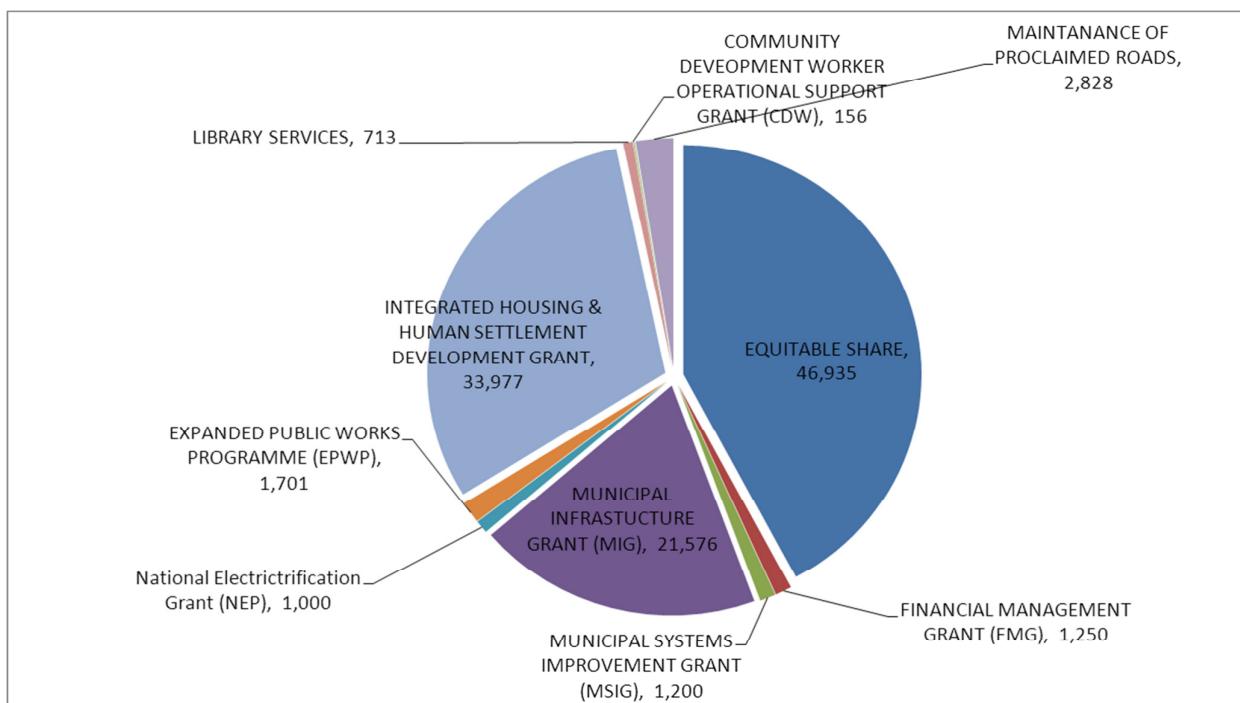
### PROVINCIAL ALLOCATIONS

INTEGRATED HOUSING & HUMAN SETTLEMENT DEVELOPMENT GRANT	CAPEX	33,977	32,480	34,238
LIBRARY SERVICES	OPEX	713	-	-
COMMUNITY DEVELOPMENT WORKER OPERATIONAL SUPPORT GRANT (CDW)	OPEX	156	162	168
MAINTAINANCE OF PROCLAIMED ROADS	CAPEX	2,828	-	-
<b>TOTAL PROVINCIAL GRANTS</b>		<b>37,674</b>	<b>32,642</b>	<b>34,406</b>

<b>GRAND TOTAL</b>		<b>111,337</b>	<b>113,269</b>	<b>119,856</b>
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**NOTE:** Allocations for Conditional Grants are only made for one year and the amounts published for the outer years in the schedules of the Division of Revenue Act (DORA) are published for indicative purposes only and are not guaranteed.

OPEX	51,955	54,554	57,940
CAPEX	59,382	58,715	61,916
<b>TOTAL</b>	<b>111,337</b>	<b>113,269</b>	<b>119,856</b>



## 10. Expenditure on allocations and grant programmes

Expenditure on allocations and grant programmes (Table SA19)

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>EXPENDITURE:</b>									
<u>Operating expenditure of Transfers and Grants</u>									
National Government:	21,570	25,145	35,485	47,522	46,829	46,829	51,086	54,392	57,772
Local Government Equitable Share	20,720	23,593	33,167	43,655	43,655	43,655	46,935	51,892	55,272
Finance Management	621	589	1,018	1,000	1,280	1,280	1,250	1,500	1,500
Municipal Systems Improvement	229	964	1,300	1,200	1,200	1,200	1,200	1,000	1,000
Expanded Public Works Programme			-	1,667	695	695	1,701		
Provincial Government:	1,413	2,855	1,434	1,213	1,584	1,584	869	162	168
Community Development Worker Grant									
Library Services Grant									
Proclaimed Main Roads									
IMQS Grant									
District Municipality:	-	-	-	-	-	-	-	-	-
[insert description]									
Other grant providers:	-	-	1,945	-	2,093	2,093	550	-	-
DBSA			1,945	-	2,093	2,093	550		
Total operating expenditure of Transfers and G	22,983	28,001	38,864	48,735	50,506	50,506	52,505	54,554	57,940
<u>Capital expenditure of Transfers and Grants</u>									
National Government:	29,240	12,158	25,029	17,940	22,846	22,846	22,577	26,235	27,678
Municipal Infrastructure Grant (MIG)	28,492	11,848	22,692	17,940	22,846	22,846	21,577	26,235	27,678
Integrated National Electrification Programme							-	-	
747	310	2,337					1,000		
Provincial Government:	34,064	12,637	311	29,330	30,036	30,036	36,805	32,480	36,738
34,064	12,637	311	29,330	30,036	30,036	36,805	32,480	36,738	
District Municipality:	-	-	219	-	62	62	-	-	-
Multi-purpose bus			219		62	62			
Other grant providers:	-	-	-	-	-	-	-	-	-
DBSA									
Total capital expenditure of Transfers and Gran	63,304	24,794	25,558	47,270	52,943	52,943	59,382	58,715	64,416
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>86,287</b>	<b>52,795</b>	<b>64,422</b>	<b>96,005</b>	<b>103,450</b>	<b>103,450</b>	<b>111,887</b>	<b>113,269</b>	<b>122,356</b>

## 11. Councillors allowances and employee benefits

Councillor allowances and employee benefits (Table SA22)

Summary of Employee and Councillor remuneration R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
	A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>									
Salary	4,648	4,507	4,728	4,514	4,990	4,990	5,439	5,929	6,462
Pension Contributions	-	-	-	-	-	-	-	-	-
Medical Aid Contributions	-	-	-	-	-	-	-	-	-
Motor vehicle allowance	-	410	648	1,505	795	795	867	945	1,030
Cell phone allowance	238	520	278	310	297	297	324	353	385
Housing allowance	-	-	-	-	-	-	-	-	-
Other benefits or allowances	-	-	-	-	-	-	-	-	-
In-kind benefits	-	-	-	-	-	-	-	-	-
<b>Sub Total - Councillors</b>	<b>4,886</b>	<b>5,437</b>	<b>5,655</b>	<b>6,329</b>	<b>6,082</b>	<b>6,082</b>	<b>6,630</b>	<b>7,227</b>	<b>7,877</b>
% increase		11.3%	4.0%	11.9%	(3.9%)	-	9.0%	9.0%	9.0%
<b>Senior Managers of the Municipality</b>									
Salary	2,181	2,671	3,790	4,245	4,245	4,245	4,687	5,249	5,879
Pension Contributions	216	177	304	340	340	340	376	422	472
Medical Aid Contributions	71	51	72	81	81	81	74	83	93
Motor vehicle allowance	492	526	575	644	644	644	578	647	725
Cell phone allowance	35	52	53	60	60	60	53	60	67
Housing allowance	139	84	104	116	116	116	106	118	132
Performance Bonus	320	-	392	439	439	439	-	-	-
Other benefits or allowances	66	56	94	105	105	105	128	144	161
In-kind benefits	-	-	-	-	-	-	-	-	-
<b>Sub Total - Senior Managers of Municipality</b>	<b>3,519</b>	<b>3,616</b>	<b>5,384</b>	<b>6,030</b>	<b>6,030</b>	<b>6,030</b>	<b>6,003</b>	<b>6,723</b>	<b>7,530</b>
% increase		2.8%	48.9%	12.0%	-	-	(0.4%)	12.0%	12.0%
<b>Other Municipal Staff</b>									
Basic Salaries and Wages	34,511	41,003	48,750	55,519	55,899	55,899	62,836	68,013	73,976
Pension Contributions	5,890	7,015	8,855	9,817	9,601	9,601	11,032	11,956	13,020
Medical Aid Contributions	1,530	2,115	2,551	2,570	2,596	2,596	2,729	2,958	3,222
Motor vehicle allowance	2,833	3,763	4,151	4,539	3,941	3,941	3,880	4,190	4,548
Cell phone allowance	-	-	-	-	-	-	-	-	-
Housing allowance	481	633	576	588	552	552	568	612	664
Overtime	2,310	2,555	2,907	2,246	2,948	2,948	2,574	2,793	3,044
Performance Bonus	-	-	-	-	-	-	-	-	-
Other benefits or allowances	6,380	8,267	9,263	7,602	10,565	10,565	11,189	12,133	13,219
In-kind benefits	-	-	-	-	-	-	-	-	-
<b>Sub Total - Other Municipal Staff</b>	<b>53,937</b>	<b>65,352</b>	<b>77,054</b>	<b>82,881</b>	<b>86,102</b>	<b>86,102</b>	<b>94,808</b>	<b>102,656</b>	<b>111,693</b>
% increase		21.2%	17.9%	7.6%	3.9%	-	10.1%	8.3%	8.8%
<b>Total Parent Municipality</b>	<b>62,342</b>	<b>74,405</b>	<b>88,092</b>	<b>95,240</b>	<b>98,214</b>	<b>98,214</b>	<b>107,441</b>	<b>116,606</b>	<b>127,101</b>
		19.4%	18.4%	8.1%	3.1%	-	9.4%	8.5%	9.0%
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>	<b>62,342</b>	<b>74,405</b>	<b>88,092</b>	<b>95,240</b>	<b>98,214</b>	<b>98,214</b>	<b>107,441</b>	<b>116,606</b>	<b>127,101</b>
% increase		19.4%	18.4%	8.1%	3.1%	-	9.4%	8.5%	9.0%
<b>TOTAL MANAGERS AND STAFF</b>	<b>57,456</b>	<b>68,968</b>	<b>82,438</b>	<b>88,911</b>	<b>92,132</b>	<b>92,132</b>	<b>100,810</b>	<b>109,379</b>	<b>119,223</b>

Salaries, allowances & benefits (political office bearers, councillors/senior managers)  
(Table SA23)

Disclosure of Salaries, Allowances & Benefits 1.	No. 10	Salary	Contrib. 1.	Allowances	Performance Bonuses	In-kind benefits 2.	Total Package 3.
Rand per annum							
<b>Councillors</b>							
Speaker	1	398,067		109,243			507,310
Chief Whip							-
Executive Mayor	1	515,971		113,442			629,413
Deputy Executive Mayor	1	415,387		91,923			507,310
Executive Committee	3	1,199,685		230,670			1,430,355
Total for all other councillors	19	2,543,744		1,011,968			3,555,712
<b>Total Councillors</b>	<b>25</b>	<b>5,072,854</b>	<b>-</b>	<b>1,557,246</b>			<b>6,630,100</b>
<b>Senior Managers of the Municipality</b>							
Municipal Manager (MM)	1	1,135,076	11,349				1,146,425
Chief Finance Officer	1	924,492	11,282	84,000			1,019,774
Director - Operational Services	1	854,358	8,263	21,600			884,221
Director - Technical Services	1	975,521	8,759				984,280
Director - Development Services	1	968,267	10,894				979,161
Director - Corporate Services	1	979,966	9,061				989,027
<i>List of each official with packages &gt;= senior manager</i>							-
<b>Total Senior Managers of the Municipality</b>	<b>6</b>	<b>5,837,680</b>	<b>59,608</b>	<b>105,600</b>	<b>-</b>	<b>-</b>	<b>6,002,888</b>
<b>A Heading for Each Entity</b>							
<i>List each member of board by designation</i>							-
<b>Total for municipal entities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>31</b>	<b>10,910,534</b>	<b>59,608</b>	<b>1,662,846</b>	<b>-</b>	<b>-</b>	<b>12,632,988</b>

## 12. Monthly targets for revenue, expenditure and cash flow

Budgeted monthly cash flow (Table SA30)

MONTHLY CASH FLOWS	Budget Year 2011/12											Medium Term Revenue and Expenditure Framework			
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year +1 2012/13	Budget Year +2 2013/14	
R thousand															
<b>Cash Receipts By Source</b>															
Property rates	16,073	2,009	2,009	2,813	2,009	2,411	2,009	2,009	3,215	2,009	1,607	1,183	43,069	46,608	
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	6,846	3,984	4,564	2,853	2,853	3,994	5,558	6,276	3,984	7,417	2,853	57,054	68,988	83,424	
Service charges - water revenue	3,015	8,669	1,884	2,638	1,884	2,261	3,015	1,884	2,638	4,900	3,015	4,900	37,690	40,159	
Service charges - sanitation revenue	888	1,184	740	2,220	592	740	3,255	1,332	888	1,036	1,184	14,797	15,214	16,489	
Service charges - refuse revenue	1,831	1,127	563	1,408	845	1,268	986	1,408	1,127	1,127	1,268	14,085	14,410	15,633	
Service charges - other	179	224	119	194	60	164	119	104	75	119	60	75	1,493	1,741	
Rental of facilities and equipment	107	138	123	123	107	107	107	107	138	215	107	123	107	1,534	1,657
Interest earned - external investments	68	102	170	68	170	102	85	85	205	306	272	136	153	1,700	1,836
Interest earned - outstanding debtors	540	480	540	600	600	660	660	720	600	600	120	60	480	6,000	6,480
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	457	406	406	457	406	406	355	558	355	507	487	304	5,074	5,479	5,918
Licences and permits	5	3	4	8	11	7	5	7	5	3	3	3	68	73	
Agency services	182	145	127	182	91	182	200	109	145	145	182	127	1,816	2,118	
Transfer receipts - operational	20,477	-	263	10,501	5,251	5,251	14,176	-	1,050	-	263	52,500	54,554	57,940	
Other revenue	3,129	1,565	5,888	1,936	1,174	782	1,565	3,521	7,432	7,432	4,041	4,303	39,118	42,402	46,130
<b>Cash Receipts by Source</b>	<b>53,798</b>	<b>20,011</b>	<b>17,326</b>	<b>14,077</b>	<b>22,841</b>	<b>17,117</b>	<b>13,602</b>	<b>34,576</b>	<b>18,605</b>	<b>21,997</b>	<b>24,549</b>	<b>14,610</b>	<b>273,109</b>	<b>297,888</b>	<b>330,252</b>
<b>Other Cash Receipts by Source</b>															
Transfer receipts - capital	23,159	-	297	-	11,876	5,938	594	16,033	-	1,188	-	297	59,382	58,715	64,416
Contributions recognised - capital & Contributed assets															
Proceeds on disposal of PPE															
Short term loans															
Borrowing long term/refinancing															
Increase (decrease) in consumer deposits	19,058	19,058	19,058	19,058	19,058	19,058	21,285	19,058	19,058	19,058	19,058	19	21,286	10,770	13,550
Decrease (increase) in non-current debtors															
Decrease (increase) in non-current receivables															
<b>Total Cash Receipts by Source</b>	<b>76,976</b>	<b>20,030</b>	<b>17,642</b>	<b>14,096</b>	<b>34,736</b>	<b>23,074</b>	<b>14,215</b>	<b>71,914</b>	<b>18,624</b>	<b>23,204</b>	<b>24,568</b>	<b>14,926</b>	<b>354,005</b>	<b>367,624</b>	<b>408,495</b>
<b>Cash Payments by Type</b>															
Employee related costs	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,771	100,810	109,379
Ranuneration of councillors	530	530	530	530	530	530	530	530	570	570	570	570	557	6,630	7,227
Collection costs	-	-	2,289	-	-	-	-	-	-	-	-	-	-	0	0
Interest paid	358	5,010	5,010	5,605	3,221	2,863	2,147	2,863	3,221	4,652	3,221	7,116	14,303	15,442	16,833
Bulk purchases - Electricity	71	993	993	496	638	567	425	567	638	922	638	142	35,784	44,730	55,912
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	7,090	7,515	7,966
Other materials	468	780	1,560	936	1,404	1,092	1,248	1,404	2,808	1,248	2,028	624	15,601	16,660	17,792
Contracted services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants and subsidies paid - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants and subsidies paid - other	2,564	5,129	4,488	5,129	6,411	4,488	4,488	5,770	5,770	8,334	7,052	64,110	66,449	71,487	
<b>Cash Payments by Type</b>	<b>12,359</b>	<b>20,809</b>	<b>23,236</b>	<b>17,954</b>	<b>20,571</b>	<b>22,055</b>	<b>17,246</b>	<b>18,259</b>	<b>25,093</b>	<b>21,529</b>	<b>23,158</b>	<b>22,049</b>	<b>244,328</b>	<b>267,402</b>	<b>297,091</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	1,669	2,503	4,172	4,172	834	1,669	4,172	8,344	9,178	12,516	33,902	87,304	70,045	77,966	
Repayment of borrowing	-	-	1,976	-	1,976	-	-	1,976	-	1,445	1,976	1,445	8,308	8,744	
Other Cash Flows/Payments	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	17,344	18,402	19,526
<b>Total Cash Payments by Type</b>	<b>15,473</b>	<b>24,757</b>	<b>30,830</b>	<b>23,581</b>	<b>26,189</b>	<b>26,311</b>	<b>20,360</b>	<b>23,876</b>	<b>36,858</b>	<b>32,153</b>	<b>37,120</b>	<b>59,372</b>	<b>356,880</b>	<b>364,156</b>	<b>403,327</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>61,503</b>	<b>(4,727)</b>	<b>(13,187)</b>	<b>(9,485)</b>	<b>8,548</b>	<b>(3,237)</b>	<b>(6,145)</b>	<b>48,037</b>	<b>(18,234)</b>	<b>(12,552)</b>	<b>(44,446)</b>	<b>(2,875)</b>	<b>3,468</b>	<b>5,168</b>	
Cash/cash equivalents at the month/year begin:	7,877	69,380	64,653	51,465	41,981	50,528	47,291	41,146	89,184	70,949	62,001	49,448	5,002	8,470	13,639
Cash/cash equivalents at the month/year end:															

## 13. Capital expenditure details

Capital expenditure details (Table SA36)

Municipal Vote/Capital project R thousand	Program/Project description	Project number	IDP Goal code 3.	2011/12 Medium Term Revenue & Expenditure Framework			Project information				
				Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14	Ward location	New or renewal			
<b>Parent municipality:</b>											
<i>List all capital projects grouped by Municipal Vote</i>											
Vote1 - Executive & Council	Building of Municipal Storehouse		A	300	-		Riviersonderend	New			
	Upgrading of existing Security : main Building, Caledon		A	-	230		TWK	Renewal			
	Upgrading of Council Chambers - Main Building, Caledon		A	250	-		TWK	Renewal			
	Installation of lift at Caledon hall		A	200	-		TWK	Renewal			
	Quick wins		A	975			TWK	New			
	Fleet		D	1,100	-	4,500	TWK	New			
Vote2 - Finance & Admin	Inventaris Items		B	2,212	-		TWK	New			
Vote3 - Planning & Development	Environmental Impact Studies										
	Development Port Erf 595, Greyton										
	Lan to be developed for Light industrial purposes Caledon		C	250			TWK	New			
	Servicing of 4 industrial erven 2766, 2767, 2770 and 2771, Grabouw		C	400			Grabouw	New			
	Extention 12( Land Surveyor, Town Planner, Civil Eng Planning)		C	1,500			Caledon	New			
	Multi Purpose Centre					2,500	TWK	New			
Vote4 - Community & Social Services	Expansion of existing cemetery and Povision of toilet facility		E			50	Riviersonderend	Renewal			
Vote5 - Housing	Housing		E	33,977	32,480	34,238	TWK	New			
Vote9 - Waste Management	Greyton Genadendal solid waste transfer station		E	2,109	-		Greyton	New			
Vote10 - Waste Water Management	Eradication of Septic tank system (Installation of sewer reticulation)		E	-	2,524	3,122	Botrivier	New			
	Eradication of Septic tank system (Installation of sewer reticulation)		E	-	300	3,000	Greyton	New			
	Upgrading of WWTP		E	15,890	6,563		Grabouw	Renewal			
	Upgrading of WWTP		E	300	11,554	13,000	Villiersdorp	Renewal			
	Greyton-Genadendal Link Sewer		E	3,326	1,424		Greyton	New			
	Upgrading of Caledon WWTP sub station & purchase of two aerators & Gormann Rupp pomp		E	-	560		Caledon	Renewal			
	Environmental Impact Studiy for Sewerage Network in Bereaville		E	600	-	-	Genadendal	New			
	Waste water treatment package plant Turnkey		E	200	-		Tesselaarsdal	New			
	Toilet facilities for Central Bussiness area		E	180	-		Villiersdorp	New			
	Toilet facilities for informal residential area		E	150	-		Villiersdorp	New			
	New France - Toilet Facilities and water.		E	150	-		Botrivier	New			

Continue next page.

Vote11 - Roads Transport	Rooidakke stormwater	E	-	2,894		Grabouw	New
	Flood protection/damage projects	E	-	300		Genadendal	Renewal
	Upgrading of streets & Storm water	E	-	4,000	10,556	TWK	Renewal
	Upgrading of Donkinplein	E	450	-		Caledon	Renewal
	Repair Vlei Street Bridge to Middleton	E	100	-		Caledon	Renewal
	Upgrading of Proclaimed Main Roads	E	3,535	-	-	TWK	Renewal
	Upgrading of Water Treatment Plant	E	-	100	1,000	Greyton	Renewal
	Bulk Water Capacity Upgrading (Phase 3 ) New 550 to 500 mm dia pipeline between Eikenhof Dam and Worcester Street Pump station &						
	Collinskop Booster PS	E	5,527	2,088		Grabouw	Renewal
	2 ML reservoir at Ham Street	E	-	300	3,000	Villiersdorp	New
Vote12 - Water	Water Reticulation Replacement	E	-	38	3,000	TWK	New
	Upgrading of bulk water supply	E	1,693	-		Riviersonderend	New
	Pre-paid Water Meters/ Water Demand Management	E	5,200	-	-	TWK	New
	Upgrading of Basil Newmark St network	E	550	-		Caledon	Renewal
	Bergsig Substation	E	-	2,600		Caledon	New
	Upgrading of Caledon & Unielaan	E	-	420		Villiersdorp	Renewal
	Upgrading of Graaf St	E	-	330		Villiersdorp	Renewal
	Supply from Eskom sub	E	880	-		Greyton	New
	Replace part of 11kV line behind Cemetery (Phase 1)	E	-	600		Greyton	Renewal
	Upgrading of Buitekant St network	E	-	320		Riviersonderend	Renewal
Vote13 - Electricity	Upgrading of Voortrekker St network	E	-	420		Riviersonderend	Renewal
	Electricity prepaid meters	E	4,300	-		TWK	New
	Bulk infrastruktur in Villiersdorp by Goniwe Park.	E	1,000	-		Villiersdorp	New
	Total Capital expenditure			87,304	70,045	77,966	

## **14. Annual Budgets and Service delivery and Budget Implementation plans- Internal Departments**

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The Functional performance of the municipality provides comprehensive information on the implementation of the SDBIP and the relevant Functional Area reporting schedule:

- a. A detailed departmental SDBIP will be available on the website of TWK Municipality.

The functional breakdown per Directorate is as follows:

### **Corporate Service:**

#### **LEGAL ADVISORY**

- Both the Director and deputy Director Corporate Services are the Legal Officers for the organisation and provide legal support to all Directorates

#### **ADMINISTRATION**

- Give administrative support to the Council and its political structures
- Corporate support for other Directorates and Town offices
- Provision of secretariat services to all directorates
- The management of the municipality's incoming and outgoing mail including the distribution and dispatch of correspondence to and from the public
- The management of access to records
- The management of Security and Cleaning Services

#### **HUMAN RESOURCES**

- Ensuring a skilled workforce through training and selection
- Ensuring sound HR administration
- Ensuring an informed labour force by practicing sound labour relations
- Ensuring a sound organisational structure

#### **INFORMATION TECHNOLOGY**

- The Information Technology department serves as support function for the whole of the organization:
- Maintaining the IT and communication Infrastructure
- Facilitate the integration of information systems
- Establishing and maintaining proper backup procedures and systems
- Ensuring information security

### **Development Services:**

#### **INTEGRATED DEVELOPMENT PLANNING**

This department provides a unique support service to all departments, community and council. It is responsible for the coordination and management of the IDP process, Organisational Performance Management, Annual Reporting, Service Delivery and Budget Implementation Plan, and Social Development

#### **LOCAL ECONOMIC DEVELOPMENT (LED) AND TOURISM.**

- Create an enabling environment for economic development
- Increase economic opportunities for people
- Promote intergovernmental collaboration

- Build local Capacity
- Encourage PPP in Local economic Development
- Monitor and evaluate LED strategy.
- Capacitate SMME's

#### **HOUSING AND INTEGRATED HUMAN SETTLEMENT**

- The function of this department is to facilitate, manage and maintain low cost housing development within the Theewaterskloof Municipality

#### **PROPERTY MANAGEMENT**

- The Property Management section has to ensure that Municipal owned immovable assets are managed efficiently, effectively and economically and are dealt with in a manner which will ensure the maximum benefit to the municipality and the community

#### **Financial Services:**

##### **EXPENDITURE AND SUPPLY CHAIN MANAGEMENT**

- Salaries: Implementation of approved payroll, paying of salaries, allowances and accounting for payroll implementation
- Creditors: Payment and recording of creditors' payments and reconciliations
- Supply Chain Management: Responsible for the Administration and Management of Procurement of goods and services (i.e. Acquisition Management in particular)
- Bank Reconciliation
- Administration and Management of Investments
- Administration and Management of Loans
- Maintain Professionalism, Honesty, Integrity and Internal Controls

##### **REVENUE OFFICE**

- Facilitation and application for Municipal Services
- Debtors Billing Administration and Management
- Meter Reading
- Administration of Clearance Certificates
- Rendering of Monthly Consumer / Rates Debtors Accounts
- Debtors Customer Care and Query Administration
- Receipting and bank revenue management
- Credit Control, Debt Collection and Indigents Management
- Maintain Professionalism, Honesty, Integrity and Internal Controls

##### **BUDGET OFFICE**

- Budget
- In-year Reporting
- Annual Financial Statements,
- Budgetary Management and Control
- Asset Management
- Insurance Management
- Costing Services (commencing in September 2009)
- Financial Viability
- Co-ordinate Financial Policy Formulation
- Financial Management Workshops under leadership of CFO

- Maintain Professionalism, Honesty, Integrity and Internal Controls

### **Technical Service:**

#### **WATER DISTRIBUTION AND TREATMENT**

- (Supply potable water in accordance with (SABS 241) to the residents within its jurisdiction. In terms of Schedule 4B of the Constitution: “Water and Sanitation Services limited to potable water supply systems”)

#### **ROADS**

- The Theewaterskloof Municipality is responsible for the roads and storm water reticulation within the towns of the WC031 established municipal area. The Roads and Stormwater Division functions as a division on its own headed by the Assistant manager of each town. This unit has 85 trained technical, artisans and other operational staff

#### **ELECTRICITY DISTRIBUTION**

The electricity purchase and distribution functions of the municipality are administered as follows and include:

- The effective and efficient distribution and reticulation of energy in the following towns (Caledon, Villiersdorp, Greyton and Riviersonderend. Grabouw, Genadendaal, Tesselaarsdal, Botrivier and Middleton reside within Eskom jurisdiction)
- Distribute electricity subject to the license conditions set by NERSA

#### **ELECTRICITY/STREET LIGHTING**

- Provide adequate street lighting for urban areas
- Maintain/Repair of faulty street lights
- Upgrade of existing services as well as new developments
- These services extend to include Theewaterskloof (Caledon, Greyton, Riviersonderend and Villiersdorp, but do not take account rural areas such as Tesselaarsdal, Botrivier, Grabouw, Genadendaal which resides within the jurisdiction of provincial Government

#### **WASTE WATER MANAGEMENT (SEWERAGE)**

- Theewaterskloof Municipality provides sewerage collection systems, comprising water borne sewer networks, bucket removal system and vacuum tanker service where necessary, and treats the collected effluent at 7 sewage treatment plants. Further services include the provision and maintenance of communal toilets in informal areas

#### **SOLID WASTE MANAGEMENT**

- Theewaterskloof municipality is responsible for the day to day operations in every town and for the removal and collection of the waste, cleaning of road reserves and most public open places. There are three Transfer-stations in the Municipal jurisdiction, one in Grabouw, Villiersdorp and the other in Botriver. Caledon has a licensed waste site but Genadendaal, Greyton and Riviersonderend is not permitted yet

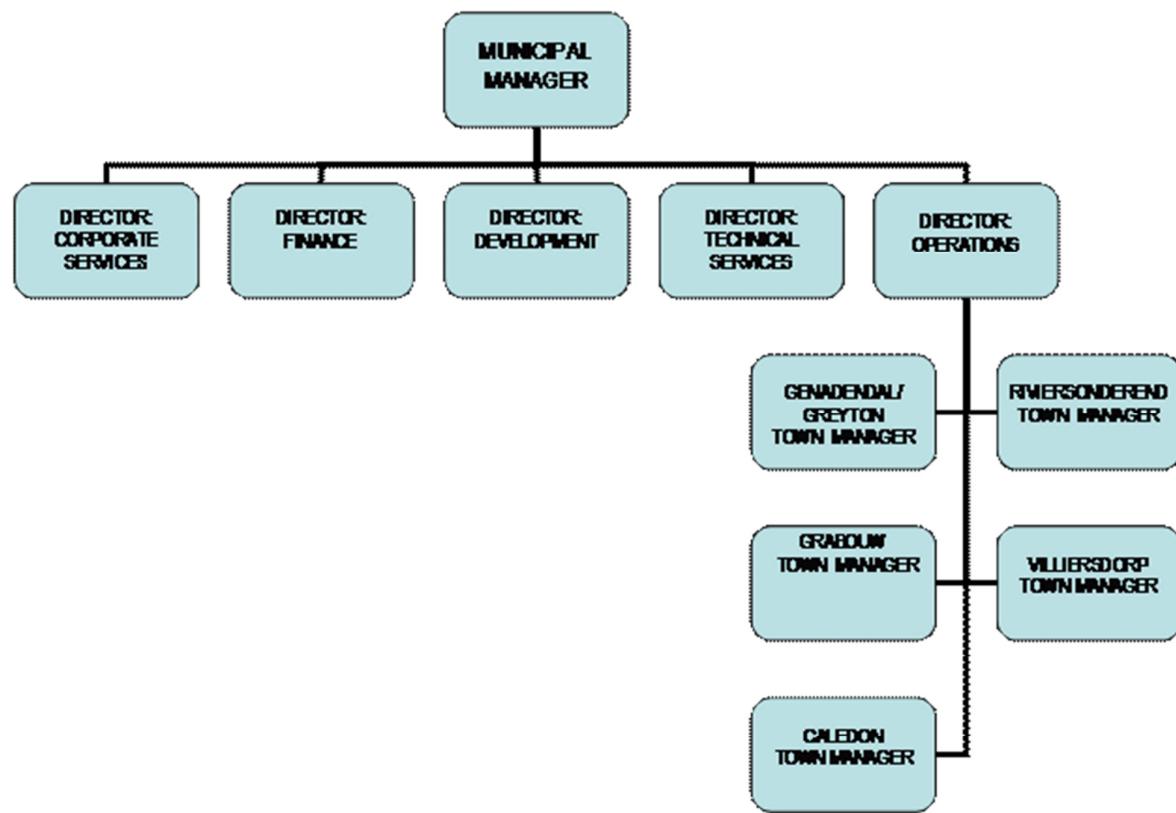
#### **FLEET MANAGEMENT**

- To manage and maintain all fleet of the municipality
- To provide sufficient municipal services to all residence within the municipal boundary

### **OPERATIONS**

- Responsible for the day-to-day to service delivery within all Theewaterskloof Towns

## Senior Management Capability and Structure



## **15. Legislation Compliance Status**

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Compliance with the MFMA Implementation requirements has been substantially adhered to through the following activities:

- **Budget and Treasury Office:** A Budget and Treasury Office has been established in accordance with the MFMA. In order to comply all vacancies are filled and the office is fully functional.
- **Budgeting:** The annual budget is prepared in accordance with the requirements prescribed by the MFMA and National Treasury.
- **Financial Reporting:** 100% compliance with regards to monthly, quarterly and annual reporting to the Executive Mayor, Mayoral Committee, Council, Provincial and National Treasury.
- **Annual Report:** The Annual Report is prepared in accordance with the MFMA and National Treasury.
- **Debt Collection:** A Debt Collection unit has been established in accordance with the relative legislation. The staff appointments in the Debt Collection Department have almost completed and the department is fully functional.
- **Internal Audit:** The department is fully functional with a Deputy Director, Internal Auditor and a Clerk Internal Audit in order to comply with the MFMA and obtain value for money.
- **Supply Chain Management:** A Functional Supply Chain Management Unit in accordance with the MFMA. The Municipality is in the process of centralizing the SCM Unit.
- **Risk Management:** Theewaterskloof Municipality has adopted a Risk Management Policy August 2009 and official has undergone training. A risk register is compile which identify the top ten risks and is reviewed and monitor regularly.
- **Asset Management:** The Fixed Asset Register is fully GRAP compliant and the Asset Maintenance Plan is in progress in order to comply with legislation.
- **Internship Programme:** Theewaterskloof Municipality is participating in the Municipal Finance Management Internship Programme. Five Interns are employed and are undergoing various training in all sections of the Finance Department.

## **16. Other supporting documents**

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### **a. Tariff list**

Refer to Annexure B for a draft list of tariffs to be approved.

### **b. Report on Providing Clean Water and Managing Waste Water**

There are seven towns each with its own water and waste water treatment facility that falls under the management of the Theewaterskloof Municipality Authority except, for Caledon. The latter receives water from a service provider, Overberg Water.

The **Blue & Green Drop Assessment 2010** score were as follows

Genadendal WTW	35.94%
Greyton WTW	35.94%
Voorstekraal WTW	30.94%
Bereaville WTW	30.94%
Boschmanskloof WTW	30.94%

Caledon, Grabouw; Villierdorp; Riviersonderend; Botrivier and Tesslaarsdal achieved scores more than 50%

The **Green Drop Assessment** generated an overall score of 30%

### **Assessment outcome**

The assessments highlighted the areas that needed urgent intervention. Problems that attributed to the low such scores was

- No qualified process controllers on site
- Compliance with SANS 241
- Failure response management: They do respond but is not properly documented
- Efficacy of Asset Manager: Asset register in place but lacked information

### **Management**

The remedial plan is to educate the process controller to ensure improvement on process control and ensure compliance against Regulation 2834.

Equip the process controllers to improve on operational & compliance monitoring.

Finalise the Water Safety Plan to educate the higher management on the importance of proper documented failure response management.

## Total Municipal Account

The effect of the proposed tariff and rate increases on households is illustrated below:

Description Rand/cent	Ref	2007/8			2008/9			2009/10			Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			
		Audited	Audited	Audited	Original	Adjusted	Full Year	Budget Year	Budget Year	Budget Year	Budget Year	2011/12	% incr.	2011/12	+1 2012/13	+2 2013/14	
		Outcome	Outcome	Outcome	Budget	Budget	Forecast										
<u>Monthly Account for Household - 'Large'</u>	1																
<u>Household</u>																	
Rates and services charges:																	
Property rates		244.23	268.65	296.86	323.28	323.28	323.28	6.9%	345.58	366.31	388.29						
Electricity: Basic levy		12.00	16.00	21.00	26.52	26.52	26.52	25.1%	33.17	32.09	38.83						
Electricity: Consumption		406.80	539.40	679.60	858.33	858.33	858.33	20.6%	1,035.10	1,038.59	1,038.59						
Water: Basic levy		-	50.00	55.00	57.75	57.75	57.75	5.9%	61.22	64.89	68.79						
Water: Consumption		145.20	143.55	158.49	166.41	166.41	166.41	5.9%	181.26	192.14	203.66						
Sanitation		59.94	64.74	71.20	76.90	76.90	76.90	6.0%	76.91	81.52	86.42						
Refuse removal		59.21	63.89	70.20	76.45	76.45	76.45	6.0%	81.04	85.90	91.06						
Other		-	-	-	-	-	-	-	-	-	-						
	sub-total	927.38	1,146.23	1,352.35	1,585.65	1,585.65	1,585.65	14.4%	1,814.28	1,861.44	1,915.63						
VAT on Services		95.64	110.78	147.77	176.73	176.73	176.73		205.62	209.32	213.83						
Total large household bill:		1,023.02	1,257.01	1,500.12	1,762.38	1,762.38	1,762.38	14.6%	2,019.89	2,070.76	2,129.46						
% increase/-decrease			22.9%	19.3%	17.5%	-	-		14.6%	2.5%	2.8%						
<u>Monthly Account for Household - 'Small'</u>	2																
<u>Household</u>																	
Rates and services charges:																	
Property rates		20.56	22.62	25.00	27.23	27.23	27.23	6.9%	29.11	30.85	32.71						
Electricity: Basic levy		12.00	16.00	21.00	26.52	26.52	26.52	25.1%	33.17	32.09	38.83						
Electricity: Consumption		202.59	268.62	338.44	427.45	427.45	427.45	20.6%	515.48	517.21	625.83						
Water: Basic levy		-	50.00	55.00	57.75	57.75	57.75	5.9%	61.22	64.89	68.79						
Water: Consumption		115.20	110.55	122.04	128.14	128.14	128.14	5.9%	137.66	145.92	154.67						
Sanitation		59.94	64.74	71.20	76.90	76.90	76.90	6.0%	76.91	81.52	86.42						
Refuse removal		59.21	63.89	70.20	76.45	76.45	76.45	6.0%	81.04	85.90	91.06						
Other		-	-	-	-	-	-	-	-	-	-						
	sub-total	469.50	596.42	702.88	820.43	820.43	820.43	13.9%	934.59	958.40	1,098.30						
VAT on Services		62.85	74.14	94.90	111.05	111.05	111.05		126.77	129.86	149.18						
Total small household bill:		532.35	670.56	797.78	931.48	931.48	931.48	13.9%	1,061.35	1,088.26	1,247.48						
% increase/-decrease			26.0%	19.0%	16.8%	-	-		13.9%	2.5%	14.6%						
<u>Monthly Account for Household - 'Small'</u>	3																
<u>Household receiving free basic services</u>																	
Rates and services charges:																	
Property rates		5.13	5.64	-	-	-	-		-	-	-						
Electricity: Basic levy		-	-	-	-	-	-		-	-	-						
Electricity: Consumption		-	-	7.26	9.17	9.17	9.17		-	-	-						
Water: Basic levy		-	-	-	-	-	-		-	-	-						
Water: Consumption		-	-	-	-	-	-		-	-	-						
Sanitation		25.94	28.32	-	-	-	-		-	-	-						
Refuse removal		25.21	27.47	-	-	-	-		-	-	-						
Other		-	-	-	-	-	-		-	-	-						
	sub-total	56.28	61.43	7.26	9.17	9.17	9.17	(100.0%)	-	-	-						
VAT on Services		16.68	18.01	19.80	1.28	1.28	1.28		-	-	-						
Total small household bill:		72.96	79.44	27.06	10.45	10.45	10.45	(100.0%)	-	-	-						
% increase/-decrease			8.9%	(65.9%)	(61.4%)	-	-		(100.0%)	-	-						

### References

1 Use as basis 1 000m<sup>2</sup> erf, 150m<sup>2</sup> improvements, 1 000 units electricity and 30kl water.

2 Use as basis 300m<sup>2</sup> erf, 48m<sup>2</sup> improvements, 498 units electricity and 25kl water.

3 Use as basis 300m<sup>2</sup> erf, 48m<sup>2</sup> improvements, 60kw electricity and 6kl water (TO BE CONFIRMED).

### Benchmarking Households based on 2010/2011 tariffs

Only the Property rates amount differ from table SA14 due to the property valuation that was used for comparison purposes. See assumptions that were used below each account.

MONTHLY ACCOUNT FOR HOUSEHOLD - Large Household				
	TWK	Overstrand	Stellenbosch	Swartland
Rates and services charges	R	R	R	R
- Property rates	312.96	167.27	263.34	276.04
- Electricity: Basic levy	27.50	142.11	78.19	81.23
Consumption	858.30	694.90	885.40	746.30
- Water: Basic levy	57.75	87.85	33.75	0.00
Consumption	166.32	155.52	124.92	157.44
Sanitation	76.90	227.50	116.50	95.85
Refuse removal	76.45	76.75	73.78	67.11
Other				
VAT on Services	176.85	193.85	183.76	160.71
<b>TOTAL</b>	<b>1753.03</b>	<b>1745.75</b>	<b>1759.64</b>	<b>1584.68</b>
INCREASE PER MONTH (RAND)				

Use as basis valuation of R882 500, 1 000 units electricity and 30kl water.

MONTHLY ACCOUNT FOR HOUSEHOLD - Small Household				
	TWK	Overstrand	Stellenbosch	Swartland
Rates and services charges	R	R	R	R
- Property rates	42.78	22.86	41.14	48.30
- Electricity: Basic levy	27.50	142.11	78.19	81.23
Consumption	427.43	346.06	440.93	371.66
- Water: Basic levy	57.75	87.85	33.75	0.00
Consumption	128.07	123.12	103.02	124.64
Sanitation	76.90	201.25	71.69	95.85
Refuse removal	76.45	76.75	73.78	67.11
Other				
VAT on Services	111.17	136.80	112.19	103.67
<b>TOTAL</b>	<b>948.05</b>	<b>1136.80</b>	<b>954.69</b>	<b>892.46</b>
INCREASE PER MONTH (RAND)				

Use as basis valuation of R103 500, 498 units electricity and 25kl water.

MONTHLY ACCOUNT FOR HOUSEHOLD - Indigent Household				
	TWK	Overstrand	Stellenbosch	Swartland
Rates and services charges	R	R	R	R
- Property rates	4.42	8.14	0.00	28.00
- Electricity: Basic levy	27.50	142.11	0.00	81.23
Consumption	51.50	41.69	53.12	44.78
- Water: Basic levy	57.75	87.85	0.00	0.00
Consumption	0.00	0.00	19.80	0.00
Sanitation	76.90	78.87	55.88	95.85
Refuse removal	76.45	76.75	73.78	67.11
Other				
Subsidy	-287.29	-437.99	-193.73	-318.46
VAT on Services	40.61	59.82	28.36	40.46
<b>TOTAL</b>	<b>47.84</b>	<b>57.24</b>	<b>37.22</b>	<b>40.96</b>
INCREASE PER MONTH (RAND)				

Use as basis valuation of R80 000, and 6kl water, 60 units electricity

## Benchmarking Business based on 2010/2011 tariffs

MONTHLY ACCOUNT FOR BUSINESS - Large Consumer				
	TWK	Overstrand	Stellenbosch	Swartland
<b>Rates and services charges</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
- Property rates	5,079.17	1,943.33	4,213.94	2,473.33
- Electricity: Basic levy (290 KVA)	650.00	3,625.25	738.17	606.42
Consumption	230,775.17	248,499.50	283,556.67	214,661.67
- Water: Basic levy	57.75	87.35	36.29	-
Consumption	5,144.90	9,428.40	4,255.00	3,620.20
Sanitation	1,922.50	3,105.00	2,530.08	512.87
Refuse removal	299.48	336.84	261.79	4,830.72
Other				
VAT on Services	33,438.97	37,111.53	40,792.92	31,392.46
<b>TOTAL</b>	<b>277,367.93</b>	<b>304,137.20</b>	<b>336,384.85</b>	<b>258,097.67</b>
<b>INCREASE PER MONTH (RAND)</b>				
Use as basis valuation of R5,300,000 5776782 units electricity , 460kl water, 12 removals, 20 sewerage pans and 10 urinals				
MONTHLY ACCOUNT FOR BUSINESS - Medium Cosumer				
	TWK	Overstrand	Stellenbosch	Swartland
<b>Rates and services charges</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
- Property rates	3066.67	1173.33	2,544.27	1493.33
- Electricity: Basic levy	270.00	432.52	139.18	542.00
Consumption	1532.80	1389.80	1806.60	1493.80
- Water: Basic levy	57.75	87.35	36.29	0.00
Consumption	778.70	1652.40	925.00	787.00
Sanitation	384.50	675.00	1582.14	479.25
Refuse removal	299.48	336.84	261.79	201.33
Other				
VAT on Services	465.25	640.35	665.14	490.47
<b>TOTAL</b>	<b>6,855.15</b>	<b>6,387.59</b>	<b>7,960.41</b>	<b>5,487.19</b>
<b>INCREASE PER MONTH (RAND)</b>				
Use as basis valuation of R3,,200,000 2000 units electricity (26-50KvA), 100kl water and 3 removals				
MONTHLY ACCOUNT FOR BUSINESS - Small Consumer				
	TWK	Overstrand	Stellenbosch	Swartland
<b>Rates and services charges</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
- Property rates	1054.17	403.33	874.59	513.33
- Electricity: Basic levy	170.00	432.52	139.18	296.94
Consumption	1149.60	1042.35	1354.95	1120.35
- Water: Basic levy	57.75	87.35	36.29	0.00
Consumption	438.10	572.40	462.50	393.50
Sanitation	230.70	337.50	575.57	287.55
Refuse removal	199.65	224.56	174.53	134.22
Other				
VAT on Services	314.41	377.54	384.02	312.56
<b>TOTAL</b>	<b>3,614.38</b>	<b>3,477.55</b>	<b>4,001.63</b>	<b>3,058.45</b>
<b>INCREASE PER MONTH (RAND)</b>				
Use as basis valuation of R1,,100,000 1500 units electricity (0-25KvA), 50kl water and 2 removals				

1.	Administration/Treasury Services	Tariff	14% VAT	Total
1.1	<b>Provision of information</b>  As determined in terms of the Promotion of Access to Information Act, 2000 (Act 2 of 2000) plus VAT			
1.2	<b>Computer printouts other than 1.1 (eg. Address lists) per page</b>	R 5.57	R 0.78	R 6.35
1.3	<b>Photostats other than 1.1</b> As determined in terms of the Promotion of Access to Information Act, 2000 (Act 2 of 2000) plus VAT A4 A3	R 0.93 R 1.86	R 0.13 R 0.26	R 1.06 R 2.12
1.4	<b>Refer to Drawer Cheques</b>  Administration fee if cheques are returned by the bank "refer to drawer"  (The administration fee plus the amount for which the account was originally issued will be payable on demand. Future payments will only be accepted in cash)	R 238.50	33.39	R 271.89
1.5	<b>Payment of interest on accounts in arrear</b>  (a) Except for the provisions of any regulation which is applicable within the Municipal area or any other Law according to which any levy or amount determined by the Council for any facility, entertainment, exhibition, performance or service established or provided by the Council,becomes owing and payable at a time within a period envisaged by such provisions, any such levy or amount will be owing and payable before or on the expiry date specified in anaccount which is issued by the Director: Financial Services.  (b) Interest,calculated at the PRIME RATE plus 1% , becomes owing and payable on any balance which is outstanding after the expiry date specified in any account as in paragraph (a)  (c) In applying paragraph (b) a portion of a month will be deemed to be a full month.			
1.6	<b>Issuing of Valuation Certificate</b>	R 111.58	15.62	R 127.20
1.7	<b>Issuing of Rates Clearance Certificates</b>	R 169.23	23.69	R 192.92
1.8	<b>Tender Documents</b>  (a) <b>Tenders Above R500,000 ( 90/10)</b> Fee without Tender document Fee with Tender document: 1-5 Pages Fee with Tender document: 6-20 Pages Fee with Tender document: 20 Pages and more	R 300.00 R 429.00 R 600.60 R 858.86	42.00 60.06 84.08 120.24	R 342.00 R 489.06 R 684.68 R 979.10
	<b>(b) Tenders Below R500,000 (80/20)</b>	R 300.00	R 42.00	R 342.00

Cemetry Tariffs			
	Tariff	14% VAT	Total
<b>2.1 Grave Charges (Dig grave yourself) Single <u>inside</u> Theewaterskloof Municipal Area</b>			
(a) Persons, in life, resident for past year within the Municipal Area (Adults - 12 years and older) Length-2200mm, width - 1200mm, depth - 1800mm	R 877.19	R 122.81	R 1,000.00
(b) Persons, in life, resident for past year within the Municipal Area (Children - Under 12 years) Length - 1500mm, width - 1000mm, depth - 1500mm	600.18	R 84.03	R 684.21
(c) Reserved Grave for Persons, inside Municipal Area, resident for past year within the Municipal Area (NEW) Length-2200mm, width - 1200mm, depth - 1800mm	R 964.87	R 135.08	R 1,099.95
(d) Inspection charge - Tombstone Works	R 313.93	R 43.95	R 357.88
<b>2.2 Grave Charges (Dig grave yourself) Single <u>outside</u> Theewaterskloof Municipal Area</b>			
(a) Adults - 12 years and older Length-2200mm, width - 1200mm, depth - 1800mm	R 2,123.73	R 297.32	R 2,421.05
(b) Children - Under 12 years Length - 1500mm, width - 1000mm, depth - 1500mm	R 969.50	R 135.73	R 1,105.23
(c) Reserved Graves (NEW) Length-2200mm, width - 1200mm, depth - 1800mm	R 2,336.10	R 327.05	R 2,663.15
(d) Inspection charge - Tombstone Works	R 646.33	R 90.49	R 736.82
<b>2.3 Grave Charges (Municipality digs grave) Single <u>inside</u> Municipal Area</b>			
(a) Adults - 12 years and older Length-2200mm, width - 1200mm, depth - 1800mm	R 1,292.70	R 180.98	R 1,473.68
(b) Children - Under 12 years Length - 1500mm, width - 1000mm, depth - 1500mm	R 877.19	R 122.81	R 1,000.00
<b>2.4 Grave Charges (Municipality digs grave) Single <u>outside</u> Municipal Area</b>			
(a) Adults - 12 years and older Length-2200mm, width - 1200mm, depth - 1800mm	R 2,216.00	R 310.24	R 2,526.24
(b) Children - Under 12 years Length - 1500mm, width - 1000mm, depth - 1500mm	R 1,292.70	R 180.98	R 1,473.68
<b>2.5 Wall of Remembrance - per plaque</b> <u>inside</u> Theewaterskloof Municipal Area <u>outside</u> Theewaterskloof Municipal Area	R 378.57 R 895.82	R 53.00 R 125.39	R 431.57 R 1,021.21

<b>Availability Charges</b>			
	<b>Tariff</b>	<b>14% VAT</b>	<b>Total</b>
<b>3.1      Electricity</b>			
(a)      Per month	R 162.43	22.74	R 185.17
(b)      Annually	R 1,949.16	272.88	R 2,222.04
<b>3.2      Water</b>			
(a)      Per month	R 140.15	19.62	R 159.77
(b)      Annually	R 1,681.80	235.45	R 1,917.25
<b>3.3      Sewerage</b>			
(a)      Per month	R 32.61	4.57	R 37.18
(b)      Annually	R 391.32	54.78	R 446.10
<b>3.4      Refuse Removal</b>			
(a)      Per month	R 40.51	5.67	R 46.18
(b)      Annually	R 486.12	68.06	R 554.18

4.	<b>Library</b>	
<b>4.1 Library fees:</b>		
(a) Lost borrower's cards:		R 3.20 Per Card R 15.90 Per Card
Manual system: Computerised:		
(b) Fines for books, records and art prints:		R2.15 per week or part thereof with a maximum of R32.00 per item.
(c) Fines for Films and Video's:		R3.20 per day or part thereof with a maximum of R32.00 per item.
(d) Reservation of Library material		R4.50 per item
(e) Internet Fees		R8.50 - 15 minutes
(f) Lost library material (Books,DVD,Records, etc)		Actual cost + 15% admin fee + Vat
<b>4.2 Photostatting fees</b>		
A4:		R0.55 per copy
A3:		R1.10 per copy

Sundries			
	Tariff	VAT	Total
<b>5.1 Pound fees</b>			
(a) Animals:			
(i) Cattle, donkeys, horses and/or pigs per animal, per day:	R 438.60	R 61.40	R 500.00
(ii) Sheep and Goats	R 219.30	R 30.70	R 250.00
(iii) Dogs and Cats, per dog and cat, per day:	R 87.72	R 12.28	R 100.00
<b>5.2 Pound fees (General)</b>	Actual Cost + 15% + VAT		
(a) If pounded by AWS			
<b>5.3 Commercial Filming and</b> Filming of videos, commercials and programmes: Application Fee for Filming In Theewaterskloof jurisdiction	R 1,000.00	R 140.00	R 1,140.00
<b>Additional to Shoot</b>			
(a) Official Fees Per officer per hour or part thereof (Mon-Fri) Per officer per hour or part thereof (Saturday) Per officer per hour or part thereof (Sunday & Public)	R 230.26 R 345.38 R 690.76	R 32.24 R 48.35 R 96.71	R 262.50 R 393.73 R 787.47
(b) Motor Vehicle kilometer Tariff per Vechile (R/km) Daily/ Fixed Tariff per Vehicle (R/ hour)	R 2.63 R 9.96	R 0.37 R 1.40	R 3.00 R 11.36

<b>6. Property Rates &amp; Building clause/ Liquidated Damages</b>	
	Tariff Cent per Rand
(a) Industrial, Casino/Hotel, Agricultural Industry	1.24
(b) Non Residential, Business, Guest Houses (with more than 3 bedrooms for overnight guests)	1.24
(c) Residential  The first R15 000 (R50 000 for those earning less than R3500 per month) of value of all residential properties within the boundaries of the Theewaterskloof Municipality is exempted from Property Rates.	0.62
(d) SCHEDULE OF REBATES IN TERMS OF THE RATES POLICY  Rebates on Agricultural Land (Bona Fide farmers)  <b>To qualify for rebates as mentioned in (c) and (d) proof must be provided as stipulated in the rates policy</b>	75%

7.

## Community Hall Rental

	Caledon						Grabouw			
	Victoria Hall			Town Hall			Gerald Wright Hall			
	Tariff	14% VAT	Total	Tariff	14% VAT	Total	Tariff	14% VAT	Total	
	R	c	R	c	R	c	R	c	R	c
Furniture available				Yes						
(Charge per day or part of a day, but kitchen facilities/crockery excluded in (a) to (c))										
(a) Dances, receptions, wedding receptions, and persons trading at such occasions (auctions, etc. included).	964.91	135.09	<b>1,100.00</b>	1,140.35	159.65	<b>1,300.00</b>	964.91	135.09	<b>1,100.00</b>	
(b) Seminars, Meetings, Congresses, Courses, Local non-profitable organisations & Government	850.88	119.12	<b>970.00</b>	723.68	101.32	<b>825.00</b>	438.60	61.40	<b>500.00</b>	
(c) Concerts Local Organisations Non-local Organisations	175.44	24.56	<b>200.00</b>	175.44	24.56	<b>200.00</b>	175.44	24.56	<b>200.00</b>	
(d) Other Matricball / Cocktail functions Exhibitions Award Ceremonies Cultural Activities Fashion parades / Beauty competitions Church services	438.60	61.40	<b>500.00</b>	578.95	81.05	<b>660.00</b>	438.60	61.40	<b>500.00</b>	
	723.68	101.32	<b>825.00</b>	723.68	101.32	<b>825.00</b>	570.18	79.82	<b>650.00</b>	
(e) Use of kitchen facilities (per occasion)	964.91	135.09	<b>1,100.00</b>	1,052.63	147.37	<b>1,200.00</b>	964.91	135.09	<b>1,100.00</b>	
(f) Use of Crockery and related items (per occasion)	473.68	66.32	<b>540.00</b>	473.68	66.32	<b>540.00</b>	473.68	66.32	<b>540.00</b>	
(g) Use of bar facilities	631.58	88.42	<b>720.00</b>	631.58	88.42	<b>720.00</b>	631.58	88.42	<b>720.00</b>	
(g) occupied used one day before the day booked for decoration, preparation, etc. and one day after the day booked for clearing and removal of decorations (on condition the hall is free on the days in question)	473.68	66.32	<b>540.00</b>	473.68	66.32	<b>540.00</b>	473.68	66.32	<b>540.00</b>	
(h) Badminton & Volleyball clubs (annual fee)	850.88	119.12	<b>970.00</b>	964.91	135.09	<b>1,100.00</b>	850.88	119.12	<b>970.00</b>	
(i) Sport Activities and Events	631.58	88.42	<b>720.00</b>	736.84	103.16	<b>840.00</b>	631.58	88.42	<b>720.00</b>	
(j) Breakage deposit refundable if no damage done and where the buildings/grounds are left in a clean and neat condition (including keys returned)	263.16	36.84	<b>300.00</b>	263.16	36.84	<b>300.00</b>	263.16	36.84	<b>300.00</b>	
	850.00		<b>850.00</b>	850.00		<b>850.00</b>	850.00		<b>850.00</b>	

**7. Community Hall Rental**

	Greyton			Riviersonderend					
	Old Moravian Hall			Community Hall			Side Hall		
	Tariff	14% VAT	Total	R c	R c	Total	R c	14% VAT	Total
<b>Furniture available</b>									
(Charge per day or part of a day, but kitchen facilities/crockery excluded in (a) to ©)									
(a) Dances, receptions, wedding receptions, and persons trading at such occasions (auctions, etc. included).	570.18	79.82	<b>650.00</b>	219.30	30.70	<b>250.00</b>			
(b) Concerts, performances, exhibitions, congresses, courses, lectures and meetings.	263.16	36.84	<b>300.00</b>	263.16	36.84	<b>300.00</b>			
(c) Meetings of local non-profit organisations, educational, charities, churches, sports bodies/clubs, service organisations, publicity related occasions for the town.	157.89	22.11	<b>180.00</b>	157.89	22.11	<b>180.00</b>	157.89	22.11	<b>180.00</b>
(d) Use of kitchen facilities (per occasion)	192.98	27.02	<b>220.00</b>	368.42	51.58	<b>420.00</b>			
(e) Use of Crockery and related items (per occasion)	219.30	30.70	<b>250.00</b>	219.30	30.70	<b>250.00</b>			
(f) occupied used one day before the day booked for decoration, preparation, etc. and one day after the day booked for clearing and removal of decorations (on condition the hall is free on the days in question)	131.58	18.42	<b>150.00</b>	131.58	18.42	<b>150.00</b>			
(g) Badminton &Volleyball clubs (annual fee)									
(h) Sport Activities and Events	570.18	79.82	<b>650.00</b>	745.61	104.39	<b>850.00</b>			
(i) Breakage deposit refundable if no damage done and where the buildings/grounds are left in a clean and neat condition (including keys returned)	650.00		<b>650.00</b>	850.00		<b>850.00</b>	400.00		<b>400.00</b>

The rental of the hall/terrain is strictly subject to the rental conditions as set out in the rental agreement which must be signed by the hirer at the time of the pre-rental discussion.

## **7. Community Hall Rental**

	Tesellaarsdal			Villierdorp					
	Community Hall			Community Hall			Petrus Roux Hall		
	Tariff	14% VAT	Total	Tariff	14% VAT	Total	Tariff	14% VAT	Total
	R c	R c	R c	R c	R c	R c	R c	R c	R c
Furniture available									
(Charge per day or part of a day, but kitchen facilities/ crockery excluded in (a) to ©)									
(a) Dances, receptions, wedding receptions, and persons trading at such occasions (auctions, etc. included).	570.18	79.82	<b>650.00</b>	745.61	104.39	<b>850.00</b>	745.61	104.39	<b>850.00</b>
(b) Concerts, performances, exhibitions, congresses, courses, lectures and meetings.	263.16	36.84	<b>300.00</b>	315.79	44.21	<b>360.00</b>	263.16	36.84	<b>300.00</b>
(c) Meetings of local non-profit organisations, educational, charities, churches, sports bodies/clubs, service organisations, publicity related occasions for the town.	157.89	22.11	<b>180.00</b>	157.89	22.11	<b>180.00</b>	157.89	22.11	<b>180.00</b>
(d) Use of kitchen facilities (per occasion)	192.98	27.02	220.00	192.98	27.02	<b>220.00</b>	192.98	27.02	<b>220.00</b>
(e) Use of Crockery and related items (per occasion)	219.30	30.70	250.00	219.30	30.70	<b>250.00</b>	219.30	30.70	<b>250.00</b>
(f) occupied used one day before the day booked for decoration, preparation, etc. and one day after the day booked for clearing and removal of decorations (on condition the hall is free on the days in question)	131.58	18.42	150.00	131.58	18.42	<b>150.00</b>	131.58	18.42	<b>150.00</b>
(g) Badminton & Volleyball clubs (annual fee)									
(h) Sport Activities and Events	570.18	79.82	<b>650.00</b>	745.61	104.39	<b>850.00</b>	745.61	104.39	<b>850.00</b>
(i) Breakage deposit refundable if no damage done and where the buildings/grounds are left in a clean and neat condition (including keys returned)									
	650.00		<b>650.00</b>	850.00		<b>850.00</b>	650.00		<b>650.00</b>

The rental of the hall/terrain is strictly subject to the rental conditions as set out in the rental agreement which must be signed by the hirer at the time of the pre-rental discussion.

7.1

**Library Hall Rental**

	Caledon			Genadendal			Grabouw					
							Grabouw			Pineview		
	Tariff	14% VAT	Total	Tariff	14% VAT	Total	Tariff	14% VAT	Total	Tariff	14% VAT	Total
	R	c	R	c	R	c	R	c	R	R	c	R
Furniture available  (Charge per day or part of a day, but kitchen facilities/ crockery excluded in (a) to ©)												
(a) Dances, receptions, wedding receptions, and persons trading at such occasions (auctions, etc. included).	175.44	24.56	200.00	175.44	24.56	200.00	175.44	24.56	200.00	175.44	24.56	200.00
(b) Concerts, performances, exhibitions, congresses, courses, lectures and meetings.	157.89	22.11	180.00	157.89	22.11	180.00	157.89	22.11	180.00	157.89	22.11	180.00
(c) Meetings of local non-profit organisations, educational, charities, churches, sports bodies/clubs, service organisations, publicity related occasions for the town.	105.26	14.74	120.00	105.26	14.74	120.00	105.26	14.74	120.00	105.26	14.74	120.00
(d) Use of kitchen facilities (per occasion)				157.89	22.11	180.00						
(e) Use of Crockery and related items (per occasion)				157.89	22.11	180.00						
(f) The hall may only be occupied used one day before the day booked for decoration, preparation, etc. and one day after the day booked for clearing and removal of decorations (on condition the hall is free on the days in question)												
(g) Ad hoc rental to sports clubs for sport practice (per day/occasion) on condition no clash with more advantageous or regular rental.				105.26	14.74	120.00	105.26	14.74	120.00	105.26	14.74	120.00
(h) Breakage deposit refundable if no damage done and where the buildings/grounds are left in a clean and neat condition (including keys returned)				300.00		300.00	300.00		300.00	300.00		300.00

	Villiersdorp					
	New			Old		
	Tariff	14% VAT	Total	Tariff	14% VAT	Total
Furniture available  (Charge per day or part of a day, but kitchen facilities/crockery excluded in (a) to ©)	R c			R c		
(a) Dances, receptions, wedding receptions, and persons trading at such occasions (auctions, etc. included).	175.44	24.56	<b>200.00</b>	175.44	24.56	<b>200.00</b>
(b) Concerts, performances, exhibitions, congresses, courses, lectures and meetings.	157.89	22.11	<b>180.00</b>	157.89	22.11	<b>180.00</b>
(c) Meetings of local non-profit organisations, educational, charities, churches, sports bodies/clubs, service organisations, publicity related occasions for the town.	105.26	14.74	<b>120.00</b>	105.26	14.74	<b>120.00</b>
(d) Use of kitchen facilities (per occasion)	157.89	22.11	<b>180.00</b>			
(e) Use of Crockery and related items (per occasion)	157.89	22.11	<b>180.00</b>			
(f) The hall may only be occupied used one day before the day booked for decoration, preparation, etc. and one day after the day booked for clearing and removal of decorations (on condition the hall is free on the days in question)						
(g) Ad hoc rental to sports clubs for sport practice (per day/occasion) on condition no clash with more advantageous or regular rental.	105.26	14.74	<b>120.00</b>	105.26	14.74	<b>120.00</b>
(h) Breakage deposit refundable if no damage done and where the buildings/grounds are left in a clean and neat condition (including keys returned)	300.00		<b>300.00</b>	300.00		<b>300.00</b>

The rental of the hall/terrain is strictly subject to the rental conditions as set out in the rental agreement which must be signed by the hirer at the time of the pre-rental discussion.

<b>Electricity Charges</b>				
<b>Charges for the supply of Electricity (Except in cases where agreements have been entered into)</b>		<b>Tariff</b>	<b>14% VAT</b>	<b>Total</b>
<b>(Tariffs mentioned under 8.1 to 8.6 take effect from readings taken during July 2011)</b>				
<b>8.1 Tariff A1 (delivery 400/230V)</b>		<b>TOU tariff to be applied to all customers &gt;= 100 kVA.</b>		
(a) Basic charge		R 807.42	R 113.04	R 920.46
(b) kVA demand prices - per kVA				
(i) Network access charge		R 10.32	R 1.45	R 11.77
(ii) Demand charges (R/kVA)		R 141.22	R 19.77	R 160.99
(c) Energy price per kWh		R 0.3854	R 0.0540	R 0.4393
(d) Transmission surcharge on a,b(ii) and c			+14%	
<b>8.2 Tariff A2 (delivery 11000V)</b>		<b>TOU tariff to be applied</b>		
(a) Basic charge				
(b) kVA demand price - per kVA				
(i) Network access charge				
(ii) Demand charges (R/kVA)				
(c) Energy price per kWh				
(d) Transmission surcharge on a,b(ii) and c				
<b>8.3 Tariff B(Pre Paid or Conventional meter)</b>				
(a) Basic charge (per connection) up to				
(i) 25 kVA		R 205.02	R 28.70	R 233.72
(ii) 26 to 50 kVA		R 325.62	R 45.59	R 371.21
(iii) *51 to 100 kVA		R 542.70	R 75.98	R 618.68
(b) kWh price		R 0.9243	R 0.1294	R 1.0537
(c) Pre-paid meters (available to business consumers up to 15A SF)				
(i) Activating Fee		R 138.69	R 19.42	R 158.11
(ii) kWh price		R 1.3435	R 0.1881	R 1.5316
(iii) Replacement of lost/damaged AVM card		R 31.36	R 4.39	R 35.75
<b>8.4 Tariff C (Residential)</b>				
(a) <b>Single phase</b>				
(i) Basic charge per connection		R 33.17	R 4.64	R 37.81
(ii) kWh price		R 1.0351	R 0.1449	R 1.1800
(b) <b>Three-phase</b>				
That this tariff will be applicable to the three-phase connection which is installed at the request of the owner of the subject property or is installed at the instance of the Council's Normal fee for upgrade to 25 kVA is payable according to councils tariffs				
(i) Basic charge		R 54.27	R 7.60	R 61.87
(ii) kWh price		R 1.0351	R 0.1449	R 1.1800

(c) <b>Pre-paid meters</b>			
(i) Activating Fee	R 135.07	R 18.91	R 153.98
(ii) kWh price	R 1.1060	R 0.1548	R 1.2609
(d) <b>Life line tariff for indigents: Pre-paid meters limited to 15 Amps and customers on indigent list.</b>			
(i) kWh price	R 1.0602	R 0.1484	R 1.2086
(ii) FBE of 60 kWh/m be granted.			
(iii) Replacement of lost/damaged AVM card	R 31.36	R 4.39	R 35.75
<b>Geyser control exclusion. For those customers not wanting municipal geyser control or bypassing / tampering relays.</b>			
(e) Geyser control exclusion charge per month.	R 60.00	R 8.40	R 68.40
<i>The basic fee as prescribed, is levied in respect of every separate electricity connection or erf. If two or more buildings or structures on the same erf are supplied with electricity from only one meter connection, the registered owner of such property will be held liable for the payment of the prescribed charges.</i>			
<i>Where a meter is installed on a property at any time during the month, the basic fee for such month and the amount of electricity consumed during the month, be calculated on the basis that any portion of that month is regarded as one month.</i>			
	<b>Tariff</b>	<b>14% VAT</b>	<b>Total</b>
<b>8.5 Tariff D</b>			
New consumers with a three (3)-phase supply with a capacity of more than 50kVA.(Existing customers to be phased in to new Tariff over 3years)			
(a) Basic fee			
(i) Up to 100 KVA	R 1,085.40	R 151.96	R 1,237.36
(ii) 101 to 500 KVA	R 2,291.40	R 320.80	R 2,612.20
(iii) Above 500 KVA	R 8,743.50	R 1,224.09	R 9,967.59
(b) Time of use periods			
(i) Mondays to Fridays	Pea 07h00 - 10h00 Off - Peak 00h00 - 06h00 Standard 06h00 - 07h00	18h00 - 20h00 22h00 - 24h00 10h00 - 18h00	20h00 - 22h00
(ii) Saturday	Off - Pe 00h00 - 07h00 Standard 07h00 - 12h00	12h00 - 18h00	20h00 - 24h00
(iii) Sunday	Off - Pe 00h00 - 24h00	18h00 - 20h00	
Public holidays will be treated as the day of the week on which they fall. The season in which the tariff for high demand is payable is from June to August and the low demand is from September to May.			
(c) Network Access charges			
(i) Monthly payable per KVA demand LV	R 10.32	R 1.45	R 11.77
(ii) Monthly payable per KVA demand MV	R 9.65	R 1.35	R 11.00
(c) Network Demand charges			
(i) Monthly payable per KVA demand LV	R 64.20	R 8.99	R 73.19
(ii) Monthly payable per KVA demand MV	R 60.00	R 8.40	R 68.40
(d) Active Energy Tariff: LV			
High demand (June to August)			
Peak time	R 2.1933	R 0.3071	R 2.5004
Standard time	R 0.6492	R 0.0909	R 0.7401
Off-Peak time	R 0.3966	R 0.0555	R 0.4521
Low demand season (September to May)			
Peak time	R 0.6895	R 0.0965	R 0.7860
Standard time	R 0.4636	R 0.0649	R 0.5285
Off-Peak time	R 0.3566	R 0.0499	R 0.4066

Active Energy Tariff: MV			
High demand (June to August)			
Peak time	R 2.0498	R 0.2870	R 2.3368
Standard time	R 0.6067	R 0.0849	R 0.6917
Off-Peak time	R 0.3707	R 0.0519	R 0.4226
Low demand season (September to May)			
Peak time	R 0.6444	R 0.0902	R 0.7346
Standard time	R 0.4333	R 0.0607	R 0.4939
Off-Peak time	R 0.3333	R 0.0467	R 0.3800
(d) Reactive Energy Tariff: LV	R 0.0564	R 0.0079	R 0.0643
Reactive Energy Tariff: MV	R 0.0564	R 0.0079	R 0.0643
This tariff is applicable to the amount by which the reactive energy exceeds 30% of the total active energy(kWh). The calculationis done taking into account the total kWh			
(e) Transmission surcharge	The active and reactive energy levies are subject to a 3% surcharge. Now included in rates		
	0%		
(f) Voltage surcharge	Calculated as a persentage of active energy and network charges. Now included in rates		
Supply voltage			
From 501 V up to 11 kV	0%		
Up to 500 V	0%		
(g) Transmission surcharges	Calculated as a percentage of the active energy, reactive energy and network charges after the voltage surcharge has been levied		
	0%		
8.6 <b>Tariff E</b>	Municipal purposes - Now charge relevant standard tariff.		
	N/A		

	<b>Tariff</b>	<b>14% VAT</b>	<b>Total</b>
<b>8.7 Consumers' deposits</b>			
(a) Tariff A , B and D - a bank guarantee as per special agreement or, alternatively, a cash deposit, equal to two months electricity account.			
(b) Tariff C	R 1,380.00		R 1,380.00
(c) Where the consumer is held liable for the payment of a defaulters fee as at the disconnection list date, the following deposit supplements are payable inaddition to the fees as reflected in 8.9(a) below.			
(i) Residential properties	R 150.00		R 150.00
(ii) All other consumers	R 1,495.00		R 1,495.00
<b>8.8 Defaulters Fee</b> (Payable on disconnection list date):			
(a) On non-payment (After hours: abovementioned tariff x 4)	R 150.00	R 21.00	R 171.00
<b>8.9 Re-connection charges</b>			
(a) New consumer after temporary disconnection (After hours: abovementioned tariff x 4)	R 150.00	R 21.00	R 171.00
<b>8.10 Service Connections (NEW)</b> Cost of material and labour plus 15% admin fee with a minimum of :			
(a) Pre-paid Splitmeter - No connection cable	R 4,690.00	R 656.60	R 5,346.60
(b) Pre-paid Splitmeter - Cable already installed	R 1,550.00	R 217.00	R 1,767.00
(c) Replacement of conventional meter with SplitPre-paid meter	R 1,495.00	R 209.30	R 1,704.30

	Tariff	14% VAT	Total
(f) Pre-paid meter where network is funded by NER (30Amp Maximum)	R 300.00	R 42.00	R 342.00
(g) All three fase connections or upgrades as per quotation by electrical department			
<b>8.11 Re-establishment of existing service connection <u>(Remedial action)</u></b>			
(a) Where established that the consumer, or that the consumer permitted or where a meter or loadcontrol device has been tampered with:			
(i) The supply be turned on, diverted or damaged without authority/illegally	R1,500.00	R 210.00	R 1,710.00
(ii) An unauthorised/illegal connection is made	R1,500.00	R 210.00	R 1,710.00
(iii) A repetition of (I) or (ii) above takes place			
New service connection fees as determined in 8.11 above and prosecution may be instituted at the discretion of the Council.			
(iv) Above and beyond the charges payable in (I) (ii) and (iii) above, the consumer will also be held liable for the estimated consumption of electricity during the period, calculated on the average monthly consumption for the three months following restoration of the service connection.			
(v) On the third offence of this nature the supply will be permanently suspended and removed for at least twenty four (24) months after which the consumer may again apply for a service connection in the normal way.			

	<b>Tariff</b>	<b>14% VAT</b>	<b>Total</b>
<b>8.12 Testing of service meter</b>			
(a) Testing by the Council itself	250.00	R 35.00	R 285.00
(b) By a mutually acceptable authority	Actual cost plus 15%	+14%	
<b>(If the meter is found to be faulty, the charges are refundable)</b>			
<b>8.13 Special meter readings</b>	R 80.00	R 11.20	R 91.20
<b>8.14 Telephone booths - Riviersonderend</b>			
(a) Per booth per month	R 50.00	R 7.00	R 57.00
(a) Re-inspection	R 150.00	R 21.00	R 171.00
(b) Service Calls			
(c) Per call where it is found that the fault is not caused by any action by the Council			
(i) During normal business hours	R 170.00	R 23.80	R 193.80
(ii) Outside normal business hours	R 390.00	R 54.60	R 444.60
<b>8.16 Damage to Council Property</b>			
Actual cost of material, labour and machinery plus 15% administration charge		14%	
<b>(Charges mentioned in paragraph 8.11 to 8.16 are payable strictly in advance, service calls excluded.)</b>			

9.

## Municipal Property Rentals

		<b>Tariff</b>								
9.1 Terrain for circuses/ similar:		R1060.00 <b>plus VAT</b> per day								
9.2		R149.12 <b>plus VAT</b> per day								
9.3 Flea market stands										
		<b>Per Stand per day</b>			<b>Per Stand per month</b>			<b>Per Stand for 3 months</b>		
		Tariff	14% VAT	Total	Tariff	14% VAT	Total	Tariff	14% VAT	Total
(a) Caledon(Donkin Square)										
Under Cover		R 61.40	R 8.60	<b>R 70.00</b>	R 166.67	R 23.33	<b>R 190.00</b>	R 315.79	R 44.21	<b>R 360.00</b>
Open Stand		R 30.70	R 4.30	<b>R 35.00</b>	R 87.72	R 12.28	<b>R 100.00</b>	R 201.75	R 28.25	<b>R 230.00</b>
(b) Genadendal - Open Stand		R 30.70	R 4.30	<b>R 35.00</b>	R 87.72	R 12.28	<b>R 100.00</b>	R 201.75	R 28.25	<b>R 230.00</b>
(c) Greyton - Open Stand		R 30.70	R 4.30	<b>R 35.00</b>	R 87.72	R 12.28	<b>R 100.00</b>	R 201.75	R 28.25	<b>R 230.00</b>
(d) Riviersonderend										
(i) Under Cover		R 61.40	R 8.60	<b>R 70.00</b>	R 166.67	R 23.33	<b>R 190.00</b>	R 315.79	R 44.21	<b>R 360.00</b>
(ii) Open Stand		R 30.70	R 4.30	<b>R 35.00</b>	R 87.72	R 12.28	<b>R 100.00</b>	R 201.75	R 28.25	<b>R 230.00</b>
(e) Villiersdorp										
(i) Market Under Cover		R 61.40	R 8.60	<b>R 70.00</b>	R 166.67	R 23.33	<b>R 190.00</b>	R 315.79	R 44.21	<b>R 360.00</b>
(ii) Open Stand		R 30.70	R 4.30	<b>R 35.00</b>	R 87.72	R 12.28	<b>R 100.00</b>	R 201.75	R 28.25	<b>R 230.00</b>
(f) Grabouw										
(i) Open Stand		R 30.70	R 4.30	<b>R 35.00</b>	R 87.72	R 12.28	<b>R 100.00</b>	R 201.75	R 28.25	<b>R 230.00</b>
(ii) Under Cover		R 61.40	R 8.60	<b>R 70.00</b>	R 166.67	R 23.33	<b>R 190.00</b>	R 315.79	R 44.21	<b>R 360.00</b>
(g) Botrivers										
(i) Under Cover		R 61.40	R 8.60	<b>R 70.00</b>	R 166.67	R 23.33	<b>R 190.00</b>	R 315.79	R 44.21	<b>R 360.00</b>

9.

## Municipal Property Rentals

### 9.4 Sports-grounds

#### (a) Sportsgrounds

(i) Use of sportgrounds for games and gatherings  
 Clubs per day  
 Schools per day

Tariff	14% VAT	Total
R 219.30	R 30.70	<b>R 250.00</b>
R 149.12	R 20.88	<b>R 170.00</b>

(ii) Use of sportgrounds for training purposes  
 Affiliated Clubs per training  
 Individuals and Schools

R 52.63	R 7.37	<b>R 60.00</b>
Free		

*Fees are payable in advance at the municipal office during office hours*

*No training or game may be played if fees are not paid in advance*

*The timetable of games of affiliated clubs and schools must be handed in at the municipal office*

*The sportsgrounds will not be used by clubs that are not affiliated*

### 9.5 Plot Rental

#### (a) Informal Area Shared services

(ii) Sewerage  
 (iii) Refuse Removal  
 (iv) Plot Rental

	Amount	VAT	Total
R 14.50	R 2.03	R 16.53	
R 37.50	R 5.25	R 42.75	
R 24.50	R 3.43	R 27.93	
<b>Total</b>	<b>R 76.50</b>		<b>R 87.21</b>

10.	Nature Reserve ( Caledon)			
		Tariff	14% VAT	Total
10.1	<b>Entrance Fees</b>			
(a)	Adults and children older than 12 years per day			
(b)	Children between 2 years and 12 years old per day			
(c)	Season Tickets for residents of Theewaterskloof Municipal Area valid for a Calendar year.			
(i)	per person			
(ii)	Maximum per family			

11.	Operational Services
11.1 <b>Building of Driveway :</b>	Actual cost of material, labour and machinery plus 15% administration costs plus VAT
11.2 <b>Damage to Council Property:</b>	Actual cost of material, labour and machinery plus 15% administration costs plus VAT
11.3 <b>Service Calls:</b>	
(a) During business hours:	Basic fee of R167.48 plus cost of material and transport costs plus VAT
(b) After hours:	Basic fee of R498.20 plus cost of materials and transport costs plus VAT. (15% administration charge is applicable if an account has to be issued for the monies)
11.4 <b>Deposit for erection of posters</b>	
(a) R6.36 per poster (minimum deposit of R127.20 and for a maximum of a hundred (100) posters per applicant)	
(b) R1060.00 for political parties to affix posters to lampposts during election periods, irrespective whether it is National, Provincial, Municipal or By-election, applicable from the date on which the voting day is announced until voting day.	
(c) Only 100 posters may be affixed to lamp-posts per institution per town or 150 posters per ward in the Theewaterskloof Municipal Area.	
(d) If the applicant/political party fails to ensure that the posters are removed and/or fails to remove the posters within 7 workdays after the date on which they had to be removed, Theewaterskloof Municipality shall remove the posters at R42.40 per poster, which costs shall be recovered from the applicant. Applicants / Organisations who fails to settle the costs incurred by Theewaterskloof Municipality in this regard shall deprive themselves of the opportunity to apply for affixing posters in the future.	
11.5 <b>Infringement fees:</b> (new and on renewal of)	Tariff according to contract (minimum R53.00 plus VAT per year)

12.

**Sewerage**

	<b>Tariff</b>	<b>14% VAT</b>	<b>Total</b>
<b>12.1 Residential premises</b> Where the premises are used exclusively for single residential purposes - irrespective of the number of toilet pans; per month	R 81.53	R 11.41	R 92.94
<b>12.2 Businesses (excluding hotels)</b> Business, Office, Boarding-house, Institutional, Factory, Restaurant, Shop and any premises other than 12.1			
(a) Per toilet pan; per month	R 81.53	R 11.41	R 92.94
(b) Each urinal; per month	R 40.78	R 5.71	R 46.49
<b>Guest Houses</b> <i>With more than 3 bedrooms for overnight guests</i>			
(c) Per toilet pan; per month	R 81.53	R 11.41	R 92.94
<b>12.3 Hotels (per hotel)</b>			
(a) Per toilet pan; per month	R 81.53	R 11.41	R 92.94
(b) Each urinal; per month	R 40.78	R 5.71	R 46.49
<b>12.4 Bona Fide Sports Clubs per month</b>	R 81.53	R 11.41	R 92.94
<b>12.5 Churches</b>			
(a) Per toilet pan; per month	R 40.78	R 5.71	R 46.49
(b) Each urinal; per month	R 20.39	R 2.85	R 23.24
In these tariffs semi-dethatched houses, separate residences flats, business premises, offices, institutions, factories garages, restaurants, and shops which are situated on the same erf, but are occupied by different persons in separate capacities are regarded as separate properties.  Where two or more buildings or structures on the same erf are served by a common drainage plan and/or urinal(s), the registered owner of the property may apply in writing that such property be regarded as one property, irrespective of the number of occupiers, and the registered owner of such property will then be held responsible for the payment of the prescribed charges. (Where such application is not received, the stipulations in the a foregoing paragraph will apply)			

	Tariff	14% VAT	Total
<b>12.6 Sewerage connections</b>  The owner of a property or plot within the Municipal Area that wishes to have the drainage system on such property or plot connected to the Municipal Sewerage , must pay a connection fee which is calculated as follows, in advance, to the Municipality:			
(a) 110 mm connection: For the first 7.5 meters	R 3,272.98	R 458.22	R 3,731.20
(b) 160 mm connection: For the first 7.5 meters	R 3,440.35	R 481.65	R 3,922.00
(c) For distances in excess of 7.5 meters - Cost of material, labour and machinery plus 15% administration costs, with a minimum of the abovementioned charges + 14% VAT  Where an owner of a property with an existing structure that have been utilising either a septic tank or conservancy tank wishes to connect to the Municipal sewer network that has subsequently been installed, a connection fee as follow is payable to the Municipality ( <b>Free of Charge</b> )	R 0.00		R 0.00
<b>12.7 Tariff: Sewer blockages/service calls</b>  (a) Per callout where it is found that the fault is not caused by the Council's actions. within normal business hours: outside of normal business hours:	R 185.78 R 542.26	R 26.01 R 75.92	R 211.79 R 618.18
<b>12.8 Damage to Council Property</b>  Actual cost of material, labour and machinery plus 15% administration charge plus 14% VAT.			
<b>12.10 Conservancy tanks</b>  (a) Residential properties , Business Premises, Farms where no Municipal sewer network exists shall pay a Tariff per 1/2 hour (30min) or portion thereof is payable	R 166.59	R 23.32	R 189.91
(b) All properties where the Municipal sewer network has subsequent been provided and is available for connection thereto a tariff per 1/2 hour (30 min) or portion thereof is payable	R 319.20	R 44.69	R 363.89
(c) After hour removal = 2x tariff (R166.59 x 2 if no municipal sewer network exists OR R285 x 2 of a municipal sewer network is available			

Town Planning			
	Tariff	14% VAT	Total
<b>13.1 Applications for Rezoning (Per Application)</b>			
(i) Erven smaller than 500m <sup>2</sup>	R 100.00	R 14.00	R 114.00
Old Council Houses including Indigents	R 100.00	R 14.00	R 114.00
(ii) Erven larger than 500m <sup>2</sup>	R 2,800.00	R 392.00	R 3,192.00
(iii) Agricultural Unit (per unit)	R 3,000.00	R 420.00	R 3,420.00
(iv) Sectional Title Deed Scheme development	R 4,000.00	R 560.00	R 4,560.00
<b>13.2 Special Consents / Consent Usages(Per Application)</b>			
(i) Erven smaller than 500m <sup>2</sup>	R 1,000.00	R 140.00	R 1,140.00
(ii) Erven larger than 500m <sup>2</sup>	R 1,500.00	R 210.00	R 1,710.00
(iii) Agricultural Unit (per unit)	R 3,000.00	R 420.00	R 3,420.00
(iv) Sectional Title Deed Scheme development	R 4,000.00	R 560.00	R 4,560.00
<b>13.3 Applications for Subdivisions:</b>			
(a) Where one additional erf / portion is created (per application)	R 1,200.00	R 168.00	R 1,368.00
(b) Where 2 to 5 erven / portions are created (per application)	R 1,500.00	R 210.00	R 1,710.00
(c) Where 6 to 10 erven / portions are created (per application)	R 3,000.00	R 420.00	R 3,420.00
(d) Where more than 10 erven / portions are created (per application)	R 4,000.00	R 560.00	R 4,560.00
<b>13.4 Lifting of Restrictions (Title Conditions)</b>			
The Applicant must inform neighbours / surrounding erf owners and interest groups as indicated by Provincial Government and or Local Authority and proof of registered postage must be provided to Local Authority)	R 1,500.00	R 210.00	R 1,710.00
<b>13.5 Applications for Departures:</b>			
(a) Section 15(1)(a)(i); Permanent Departures:			
(i) Erven smaller than 500m <sup>2</sup>	R 100.00	R 14.00	R 114.00
Old Council Houses including Indigents	R 100.00	R 14.00	R 114.00
(ii) Erven larger than 500m <sup>2</sup>	R 800.00	R 112.00	R 912.00
(iii) Agricultural Unit (per unit)	R 1,500.00	R 210.00	R 1,710.00
(b) Section 15(1)(a)(ii); Temporary Departures:			
(i) Erven smaller than 500m <sup>2</sup>	R 100.00	R 14.00	R 114.00
Old Council Houses including Indigents	R 100.00	R 14.00	R 114.00
(ii) Erven larger than 500m <sup>2</sup>	R 800.00	R 112.00	R 912.00
(iii) Agricultural Unit (per unit)	R 1,500.00	R 210.00	R 1,710.00

	Tariff	14% VAT	Total
13.6 Issue of Zoning Certificates:	R 250.00	R 35.00	R 285.00
13.7 Copies of:			
(a) Zoning Scheme	R 500.00	R 70.00	R 570.00
(b) Maps Electronically Reproduced (CD)	R 500.00	R 70.00	R 570.00
(c) Maps (black and white A4)	R 100.00	R 14.00	R 114.00
(d) Maps (black and white A3)	R 200.00	R 28.00	R 228.00
(e) Maps (black and white A2)	R 400.00	R 56.00	R 456.00
(f) Maps (black and white A1)	R 450.00	R 63.00	R 513.00
(g) Maps (black and white A0)	R 550.00	R 77.00	R 627.00
(h) Maps (color A4)	R 200.00	R 28.00	R 228.00
(i) Maps (color A3)	R 400.00	R 56.00	R 456.00
(j) Maps (color A2)	R 600.00	R 84.00	R 912.00
(k) Maps (color A1)	R 900.00	R 126.00	R 1,026.00
(l) Maps (color A0)	R 1,100.00	R 154.00	R 1,254.00
(Section 7(d) to Section 7(l) only if Council can produce the maps within the Municipality)			
13.8 Applications:			
Applications are seen as separate from each other. Thus meaning that if an application involves subdivision, rezoning, consent usages or departures, then the amount must be calculated for each of the above and a total in terms of each section as indicated above must be produced for the application.			
13.9 Illegal Land Usages:			
(a) If a owner uses his property illegal, or conduct any illegal use on any premises and are trying to rectify the situation,	R 1,000.00	R 140.00	R 1,140.00
(b) If Council sends a notice of an illegal land use, then the applicant must pay 2 times the amount that is required in terms 13.9 (a)	R 2,000.00	R 280.00	R 2,280.00
(c) If a person is taken to Court, all costs involved in the application and administrative costs must be recovered and an additional amount of R10 000-00 must be paid by the applicant that transgressed in terms of LUPO.			

	Tariff	14% VAT	Total
<b>13.10 Sectional Title Deed Schemes:</b>  Sectional Title Deed Schemes must be seen as if they have the same meaning as erf / erven / portion / plots and the applications for each of these Sectional Title Deed Scheme Applications will thus be determined as if the units within the scheme are new erven. Example: If an application is handed in for a Sectional Title Deed Scheme Development consists of 5 units, then the subdivision tariff applicable to the 5 as per section 3 (b) applies.  <b>NOTE:</b> Advertisement costs (newspapers and Provincial) are not included in the aforementioned tariffs, and the actual costs is recovered from the applicant with a 5% administrative levy on the amount. Notices to the adjacent / surrounding erf owners and interest groups is included in the tariffs, except in the case as mentioned under paragraph 4 above, where it remains the responsibility of the applicant.			
<b>13.11 Contributions to Main Services by developers and on subdivision of erven</b>  <b>Bulk Contribution Levies:</b>  Bulk Contribution Levies is payable by the developer(s) / owner to obtain and approve subdivision diagram(s) where Council is responsible for the under mentioned Services:  (a) <b>Provision of Electricity</b>  1 Residential developments per new Erf / portion (i) Contribution for upgrading of 11kV network  (ii) Contribution for capacity on existing miniature substation per KVA (BDMD) if available  2 Non-residential Developments: Tariff as in (1) for each 5.4 kVA (BDMD) of the declared maximum demand for which application is done.	R 3,433.13  R 670.00  2	R 480.64  R 93.80  2	R 3,913.77  R 763.80  2

13.

**Town Planning**

		<b>Tariff</b>	<b>14% VAT</b>	<b>Total</b>
	<b>(b) Provision of Water</b>			
1	Residential: Low Density Botrivers (Erven >450m <sup>2</sup> ) (1-15 du/ha) - cost per unit	R 13,884.00	R 1,943.76	R 15,827.76
2	Residential: Low Density Other (Erven>450m <sup>2</sup> )(1-15 du/ha) - cost per unit	R 10,413.00	R 1,457.82	R 11,870.82
3	Residential: Medium Density Botrivers (Erven 200-450m <sup>2</sup> ) (16-35 du/ha) - cost per unit	R 8,870.00	R 1,241.80	R 10,111.80
4	Residential: Medium Density Other (Erven 200-450m <sup>2</sup> ) (16-35 du/ha) - cost per unit	R 6,652.50	R 931.35	R 7,583.85
5	Residential: High Density Botrivers (Erven, 200m <sup>2</sup> ) (more than 36 du/ha) - cost per unit	R 5,322.00	R 745.08	R 6,067.08
6	Residential: High Density Other (Erven<200m <sup>2</sup> )(more than 36 du/ha) - cost per unit	R 3,991.50	R 558.81	R 4,550.31
7	Public - and or Private Spaces Botrivers	R 0.00	R 0.00	R 0.00
8	Public - and or Private Open Spaces Other	R 0.00	R 0.00	R 0.00
9	Commercial Botrivers (GLA = Area - 30% (roads, open spaces) X 0.75 FAR)	R 60.61	R 8.49	R 69.10
10	Commercial Other (Area - 30% (roads, open spaces) X 75% Coverage)	R 45.46	R 6.36	R 51.82
11	Industrial Botrivers (Area - 30% (roads, open spaces) X 75% Coverage)	R 60.61	R 8.49	R 69.10
12	Industrial Other (Area - 30% (roads, open spaces) X 75% Coverage)	R 45.46	R 6.36	R 51.82
	<b>(c) Roads</b>			
1	Residential: Low Density Botrivers (Erven >450m <sup>2</sup> ) (1-15 du/ha) - cost per unit	R 14,321.00	R 2,004.94	R 16,325.94
2	Residential: Low Density Other (Erven>450m <sup>2</sup> )(1-15 du/ha) - cost per unit	R 10,740.75	R 1,503.71	R 12,244.46
3	Residential: Medium Density Botrivers (Erven 200-450m <sup>2</sup> ) (16-35 du/ha) - cost per unit	R 10,502.00	R 1,470.28	R 11,972.28
4	Residential: Medium Density Other (Erven 200-450m <sup>2</sup> ) (16-35 du/ha) - cost per unit	R 7,876.50	R 1,102.71	R 8,979.21
5	Residential: High Density Botrivers (Erven, 200m <sup>2</sup> ) (more than 36 du/ha) - cost per unit	R 7,638.00	R 1,069.32	R 8,707.32
6	Residential: High Density Other (Erven<200m <sup>2</sup> )(more than 36 du/ha) - cost per unit	R 5,728.50	R 801.99	R 6,530.49

13.

## Town Planning

		Tariff	14% VAT	Total
7	Public - and or Private Spaces Botriver	R 0.00	R 0.00	R 0.00
8	Public - and or Private Open Spaces Other	R 0.00	R 0.00	R 0.00
9	Commercial Botriver (GLA = Area - 30% (roads, open spaces) X 0.75 FAR)	R 473.68	R 66.32	R 540.00
10	Commercial Other (Area - 30% (roads, open spaces) X 75% Coverage)	R 355.26	R 49.74	R 405.00
11	Industrial Botriver (Area - 30% (roads, open spaces) X 75% Coverage)	R 85.97	R 12.04	R 98.01
12	Industrial Other (Area - 30% (roads, open spaces) X 75% Coverage)	R 64.48	R 9.03	R 73.51
(d)	<b>Stormwater</b>			
1	Residential: Low Density Botriver (Erven >450m <sup>2</sup> ) (1-15 du/ha) - cost per unit	R 7,020.00	R 982.80	R 8,002.80
2	Residential: Low Density Other (Erven>450m <sup>2</sup> )(1-15 du/ha) - cost per unit	R 5,265.00	R 737.10	R 6,002.10
3	Residential: Medium Density Botriver (Erven 200-450m <sup>2</sup> ) (16-35 du/ha) - cost per unit	R 3,685.00	R 515.90	R 4,200.90
4	Residential: Medium Density Other (Erven 200-450m <sup>2</sup> ) (16-35 du/ha) - cost per unit	R 2,763.75	R 386.93	R 3,150.68
5	Residential: High Density Botriver (Erven, 200m <sup>2</sup> ) (more than 36 du/ha) - cost per unit	R 2,360.00	R 330.40	R 2,690.40
6	Residential: High Density Other (Erven<200m <sup>2</sup> )(more than 36 du/ha) - cost per unit	R 1,770.00	R 247.80	R 2,017.80
7	Public - and or Private Spaces Botriver	R 9.62	R 1.35	R 10.97
8	Public - and or Private Open Spaces Other	R 7.22	R 1.01	R 8.23
9	Commercial Botriver (GLA = Area - 30% (roads, open spaces) X 0.75 FAR)	R 22.44	R 3.14	R 25.58
10	Commercial Other (Area - 30% (roads, open spaces) X 75% Coverage)	R 16.83	R 2.36	R 19.19
11	Industrial Botriver (Area - 30% (roads, open spaces) X 75% Coverage)	R 23.27	R 3.26	R 26.53
12	Industrial Other (Area - 30% (roads, open spaces) X 75% Coverage)	R 17.45	R 2.44	R 19.89

13.

**Town Planning**

		<b>Tariff</b>	<b>14% VAT</b>	<b>Total</b>
(e) <b>Sewerage</b>				
1 Residential: Low Density Botrivers (Erven >450m <sup>2</sup> ) (1-15 du/ha) - cost per unit	R 5,673.00	R 794.22	R 6,467.22	
2 Residential: Low Density Other (Erven >450m <sup>2</sup> ) (1-15 du/ha) - cost per unit	R 4,254.75	R 595.67	R 4,850.42	
3 Residential: Medium Density Botrivers (Erven 200-450m <sup>2</sup> ) (16-35 du/ha) - cost per unit	R 3,625.00	R 507.50	R 4,132.50	
4 Residential: Medium Density Other (Erven 200-450m <sup>2</sup> ) (16-35 du/ha) - cost per unit	R 2,718.75	R 380.63	R 3,099.38	
5 Residential: High Density Botrivers (Erven, 200m <sup>2</sup> ) (more than 36 du/ha) - cost per unit	R 2,175.00	R 304.50	R 2,479.50	
6 Residential: High Density Other (Erven <200m <sup>2</sup> ) (more than 36 du/ha) - cost per unit	R 1,631.25	R 228.38	R 1,859.63	
7 Public - and or Private Spaces Botrivers	R 0.00	R 0.00	R 0.00	
8 Public - and or Private Open Spaces Other	R 0.00	R 0.00	R 0.00	
9 Commercial Botrivers (GLA = Area - 30% (roads, open spaces) X 0.75 FAR)	R 24.76	R 3.47	R 28.23	
10 Commercial Other (Area - 30% (roads, open spaces) X 75% Coverage)	R 18.57	R 2.60	R 21.17	
11 Industrial Botrivers (Area - 30% (roads, open spaces) X 75% Coverage)	R 24.76	R 3.47	R 28.23	
12 Industrial Other (Area - 30% (roads, open spaces) X 75% Coverage)	R 18.57	R 2.60	R 21.17	
(f) All of these excludes the amounts payable for the connections to the service(s) that is / are required. The actual cost(s) involve in the provision of the connections is only levied if any when an application is made to the Municipality in that regard and cannot be paid in advance, although a 50% deposit of the estimated cost(s) can be levied if and when required to do so by the Theewaterskloof Municipality.				
(g)	For every new portion created in terms of a subdivision and or rezoning (by way of a land use planning application) it would be required as part of the subdivision conditions that the monetary value equal to 20m <sup>2</sup> paving and 5 trees of at least 1.2m in height , including the labour cost (paving and trees - as being calculated by the Directorate Operational Services from time to time), or the actual paving of 20m <sup>2</sup> being constructed by the developer at his / her / their cost at a place determined by the Town Manager and 5 trees of at least 1.2m in height, with every 20m <sup>2</sup> paving must be provided by the developer. This is also applicable to Agricultural applications.			
(h)	Following Rebate on Contribution to Main Services by Developers will Apply: - 10% Rebate on Developments in excess of 30 living units - 25% Rebate on Developments in between 5 and 29 living Units - 50% Rebate on Developments and subdivision of 4 and less living Units - 50% Rebate on Developments for rezoning where the change in usage a contribution require but where existing services exist and not immediate upgrading is required, and this rebate must be revised annually			



15.	Traffic	Tariff	14% VAT	Total
15.1	<b>Abandoned and Unroadworthy Vehicles(+admin fees)</b>			
(a)	Pound charge	R 500.00	R 70.00	R 570.00
(b)	Storage Charges	R 300.00	R 42.00	R 342.00
	That all towing charges (in the case of vehicles) plus fifteen (15) percent administration costs are recovered from the owner.			
15.2	<b>Traffic Testing Grounds</b>			
(a)	The utilization of Traffic Testing grounds by Driving Schools per month	R 500.00	R 70.00	R 570.00
(b)	The utilization of Traffic Testing grounds by Members of Public per month	R 50.00	R 7.00	R 57.00
15.3	<b>Metered Parking</b>			
(a)	Parking Monthly Permit			
	Per Hour Normal (Monday to Friday : 08:00 - 17:00)	R 1.32	R 0.18	R 1.50
	Per Hour Saturday (08:00 - 13:00)	R 2.19	R 0.31	R 2.50
	Sundays and Religious Holidays	No Charge		No Charge
15.4	<b>Traffic Escort Service (Excluding Funeral)</b>			
(a)	Official Fees			
	Tariff Assistance per hour (Monday- Friday)	115.13	R 16.12	131.25
	Tariff Assistance per hour (Saturday)	172.69	R 24.18	196.87
	Tariff Assistance per hour (Sunday & Public Holidays)	230.26	R 32.24	262.50
(b)	Motor Vehicle			
	Kilometer Tariff per Vechile (R/km)	3.00	R 0.42	3.42
	Daily/ Fixed Tariff per Vehicle (R/ hour)	11.36	R 1.59	12.95
15.5	<b>Escort Fees for Funerals</b>			
(a)	Official Fees			
	Tariff Assistance per hour (Monday- Friday)	102.80	R 14.39	117.19
	Tariff Assistance per hour (Saturday)	154.19	R 21.59	175.78
	Tariff Assistance per hour (Sunday & Public Holidays)	205.59	R 28.79	234.38
(b)	Motor Vehicle			
	Kilometer Tariff per Vechile (R/km)	1.01	R 0.14	1.15
	Daily/ Fixed Tariff per Vehicle (R/ hour)	9.72	R 1.36	11.08

Refuse removal			
	Tariff	14% VAT	Total
<b>16.1 Domestic refuse</b>  Refuse normally originating from a domestic residence which is used for residential purposes, including flats, hospitals, schools, hostels, compounds, churches and halls which are situated on private property, and which may be easily removed from the container without damage to the plastic liner, but not including garden refuse.  <b>Per Household for one (1) removal per week</b>			
<b>16.2 Bona fide sports clubs</b>	R 81.04 R 81.04	R 11.35 R 11.35	R 92.39 R 92.39
<b>16.3 Business refuse</b>  Refuse which originates from the use of a property , except a private residence used exclusively for residential purposes, but does not include builder's refuse, bulky refuse, domestic refuse or industrial refuse.			
(a) Catering premises (without bags) - Per standard container for three (3) removals per week.	R 317.45	R 44.44	R 361.89
(b) Non- catering premises (without bags)- Per standard container for two (2) removals per week	R 217.51	R 30.45	R 247.96
<b>16.4 Bulky refuse</b>  (a) Refuse, except industrial refuse, originating from any premises and which because of the mass, shape, size or quantity thereof cannot be easily collected in a plastic lining, or be removed there from;			
(i) Per load or portion removed weekly for each month or portion of a month.	R 874.50	R 122.43	R 996.93
<b>Self Dumping: Transfer Stations &amp; Dumping Sites:</b>			
(a) Private 0-1 Ton & Trailer per request	No charge		
Business up to 1 Ton per request & trailer per request	R 103.21	R 14.45	R 117.66
(c) Business up to 3 Ton with half load per request	R 211.07	R 29.55	R 240.62
(d) Business up to 3 Ton per request	R 427.72	R 59.88	R 487.60

Refuse removal			
	Tariff	14% VAT	Total
(e) Business up to 3-5 Ton per request (f) Vehicles 5 - 10 ton per request (g) Vehicles >10 ton per request	R 632.28 R 1,022.81 R 1,283.16	R 88.52 R 143.19 R 179.64	R 720.80 R 1,166.00 R 1,462.80
16.6 Other refuse removals (per month) (a) Helderstrom Correctional Services (b) Dennehof	R 39,438.66 R 4,134.00	R 5,521.41 R 578.76	R 44,960.07 R 4,712.76
<p>In these tariffs the ton measurements under Self Dumping indicates the Vehicle mass and not the quantity of Refuse</p> <p>In these tariffs a "premises" means a property or a portion thereof which appears separately on the Council's valuation list; with the understanding that where there is more than one unit on a property, each such unit is deemed to be a separate premises.</p> <p>Semi-dethatched houses, separate residences, business premises, offices, institutions, factories, garages, restaurants and shops on the same erf but occupied by separate persons in separate capacities are regarded as being separate premises.</p> <p>Where two or more business premises which are situated and operated on the same erf, prefer to share a refuse bin(s), it is possible, on receipt of a written request from the registered owner, to do a survey over a period of three (3) months, after which the number of refuse bins will be determined and the registered owner of such property will then be held liable for the payment of the prescribed charges. (Where such an application is not received, the provisions in the forgoing paragraphs will apply).</p> <p>The Technical Officer at the Concerned Town, in consultation with the owner/occupier, determines the number of refuse bins which each business premises should have.</p>			

17.		Water Supply		
		Tariff	14% VAT	Total
17.1	<b>All domestic consumers and pre-paid meters</b> (Tariffs mentioned under 17.1 and 17.2 become effective from readings taken after the beginning of July 2011)			
(a)	Basic fee (0kl included) per erf/meter connection	R 61.22	R 8.57	69.79
(b)	Domestic (Where a separate service connection exists)			
(i)	Consumption 1 kl to 6 kl per month per kl	R 0.00	R 0.00	0.00
(ii)	Consumption 7 kl to 15 kl per month per kl	R 6.07	R 0.85	6.92
(iii)	Consumption 16 kl to 30 kl per month per kl	R 8.10	R 1.13	9.23
(iv)	Consumption 31 kl to 40 kl per month per kl	R 9.65	R 1.35	11.00
(v)	Consumption above 40 kl per month per kl	R 11.61	R 1.63	13.24
	<b>Prepaid Meters</b> Free installation of Prepaid Water Meters this will be determined by the criteria prepared by council.			
17.2	<b>Other/Non-domestic</b>			
(a)	Basic fee (0kl included) per erf/meter connection	R 61.22	R 8.57	69.78
(i)	Consumption 0 kl to 30 kl per month per kl	R 8.24	R 1.15	9.39
(ii)	Consumption 31 kl to 40 kl per month per kl	R 9.52	R 1.33	10.85
(iii)	Consumption above 40 kl per month per kl	R 12.16	R 1.70	13.86
(iv)	Municipal Purposes (Purchase Price) per Kl	R 3.00	R 0.42	3.42
(v)	Sports Clubs & Schools (for irrigation of sports fields only)			
	1 kl to 500 kl	R 5.51	R 0.77	6.28
	501 kl and more	R 6.12	R 0.86	6.98
(vi)	SA Malsters Availability Fees per month	R 80,343.00	R 11,248.02	91,591.02
	Consumption 0 kl to 1000 kl	R 6.54	R 0.92	7.46
	Consumption 1001 kl to 5000 kl	R 7.84	R 1.10	8.94
	Consumption 5001 kl to 10 000 kl	R 8.99	R 1.26	10.25
	Consumption 10 001 kl to 15 000 kl	R 9.97	R 1.40	11.37
	Consumption 15 001 kl to 30 000 kl	R 11.12	R 1.56	12.68
	Consumption 30 001 kl to 60 000 kl	R 13.21	R 1.85	15.06
	Consumption above 60 000 kl	R 16.51	R 2.31	18.82

17.	Water Supply	Tariff	14% VAT	Total
	<b>Defaulters Fee ( payable on disconnection list 17.3 date)</b>			
(a)	On non-payment (after hours: tariff x 4)	R 112.51	R 15.75	128.26
(b)	Reconnection fees New consumer after temporary disconnection; (after hours: tariff x 4)	R 112.51	R 15.75	128.26
	<b>17.4 Charges for new connections</b>			
(a)	For a 15mm diameter connection	R 2,700.23	R 378.03	3,078.26
(b)	For a 22mm diameter connection	R 2,925.23	R 409.53	3,334.76
(c)	For a connection with a diameter greater than 22mm  The actual cost of material, labour and machinery plus 15% administration costs with a minimum of:  Abovementioned charges in (I) and (ii) are in respect of a pipe no longer than 25 m, but if a pipe longer than 25m is required, the relevant charge plus the cost of the provision and laying of the extra length, plus a charge of 15% in respect of administration costs will be payable.	R 2,925.23	R 409.53	3,334.76
	<b>17.5 Reconnection of existing service connection (Remedial action)</b>			
(a)	Where established that the consumer, or that the consumer permitted that:			
(i)	The supply be turned on, diverted or damaged without authority/illegally:	R 1,022.80	R 143.19	1,165.99
(ii)	An unauthorised/illegal connection is made	R 1,022.80	R 143.19	1,165.99
(iii)	A repetition of (I) or (ii) above takes place  New service connection fees as determined in (b) above and prosecution may be instituted at the discretion of the Council.			
(iv)	Above and beyond the charges payable in (I),(ii) and (iii) above, the consumer will also be held liable for the estimated consumption of water during the period, calculated on the average monthly consumption for the three (3) months following restoration of the service connection.			

17.	Water Supply	Tariff	14% VAT	Total
17.6 <b>Testing of meters</b>				
(a) Testing by the Council itself	R 393.78	R 55.13	448.91	
(b) By a mutually acceptable Authority	Actual cost + 15%	+ 14%		
If the meter is found to be faulty the charges are refundable				
17.7 <b>Service Calls</b>				
(a) Per call where it is found that the fault was not caused by any action of the Council				
(i) Within normal business hours	R 214.79	R 30.07	244.86	
(ii) Outside normal business hours	R 644.37	R 90.21	734.58	
17.8 <b>Damage to Council property</b>				
(a) Actual cost of material, labour and machinery plus 15% administration charges plus 14% VAT				
17.9 <b>Special Meter Readings</b>	R 97.63	R 13.67	111.30	
17.10 <b>Consumer Deposit</b>	R 367.29		367.29	
(a) Where a consumer is held responsible for the payment of a defaulter's fee as on disconnection list date, the following deposit supplements are payable in addition to the fees as reflected in (d)(i) above.				
(i) Residential properties	R 93.28		93.28	
(ii) All other consumers	R 256.52		256.52	
17.12 "Lei water" per minute per year	R 19.59	R 2.74	22.33	
17.14 <b>Sluices</b>				
(i) For building a sluice, per sluice	R 577.34	R 80.83	658.17	

17.	Water Supply	Tariff	14% VAT	Total
17.15	<b>Tariff for the removal, tampering with or unauthorised use of "Lei water"</b>			
	Where, in the opinion of the Council, it is established that the owner and/or tenant of property in Greyton, or that such person allowed			
(i)	I.r.o. a non-subscriber, who illegally interferes with the flow, and/or takes and/or allows to take "Lei water" depending on the case, the following charges are payable:			
	- First offence	R 513.45	R 71.88	585.33
	- Second offence	R 1,026.90	R 143.77	1,170.67
	- Third or subsequent offences	R 1,544.44	R 216.22	1,760.66
(ii)	I.r.o. a subscriber who, without authority/illegally interferes with or takes "Lei water" outside of his/her official "Lei water" hours to the detriment of another subscriber's legal turn, whatever the case, the following charges are payable:			
	- First offence	R 513.45	R 71.88	585.33
	- Second offence	R 1,026.90	R 143.77	1,170.67
	- Third or subsequent offences	R 1,544.44	R 216.22	1,760.66
<b><u>NOTE</u></b>				
1.	For the application of these tariffs, "subscriber" shall mean a resident who is officially in possession of written proof from the Council that he/she has been allocated "Lei water" for the relevant season, notwithstanding the fact that such person has paid the basic levy (furrow levy)			
2.	The Council withholds the right and may, at its own discretion take further legal steps above and beyond the tariffs set out above.			
3.	In addition to the charges payable in (i) and (ii) above, the subject open furrow will, on a third infringement of this kind, be replaced with a closed canal system; in which case the resident concerned will be held liable for all costs incurred.			

17.	Water Supply	Tariff	14% VAT	Total
17.16	<b>EMERGENCY WATER TARIFF DOMESTIC</b>			
(a)	Basic fee (0kl included) per erf/meter connection	R 61.22	R 8.57	69.79
(b)	Domestic (Where a separate service connection exists)			
(i)	Consumption 1 kl to 6 kl per month per kl	R 6.07	R 0.85	6.92
(ii)	Consumption 7 kl to 15 kl per month per kl	R 8.24	R 1.15	9.39
(iii)	Consumption 16 kl to 30 kl per month per kl	R 16.20	R 2.27	18.47
(iv)	Consumption 31 kl to 40 kl per month per kl	R 28.94	R 4.05	32.99
(v)	Consumption above 40 kl per month per kl	R 57.88	R 8.10	65.98
17.17	<b>EMERGENCY WATER TARIFF OTHER/NON-DOMESTIC</b>			
	<b>Other/Non-domestic</b>			
(a)	Basic fee (0kl included) per erf/meter connection	R 61.22	R 8.57	69.79
(i)	Consumption 1 kl to 6 kl per month per kl	R 6.07	R 0.85	6.92
(ii)	Consumption 7 kl to 15 kl per month per kl	R 8.24	R 1.15	9.39
(iii)	Consumption 16 kl to 30 kl per month per kl	R 16.20	R 2.27	18.47
(iv)	Consumption 31 kl to 40 kl per month per kl	R 28.94	R 4.05	32.99
(v)	Consumption above 40 kl per month per kl	R 57.88	R 8.10	65.98
(vi)	Sports Clubs & Schools (for irrigation of sports fields only) 1 kl to 500 kl 501 kl and more	R 8.26 R 9.18	R 1.16 R 1.29	9.42 10.47
(vi)	SA Malsters			
	Tariff for consumption plus 25%			
17.18	Raw Water			

18.	Building Plan Fees		
<b>NB</b> <b>Approval of building plan is subjected to the settlement of all outstanding amounts on erf.</b>			
	Tariff	14% VAT	Total
<b>18.1 Builders Deposit:</b>			
(a) R500.00 is payable where the erf size is smaller than 500m <sup>2</sup> with any building plan application that involves cement / brick / steel works / swimming pool or where a structure of a temporary nature will be delivered on site and is refundable if no Municipal property is damaged during the phase of construction / erection of the structure and will only be paid out after the final inspection and provision of a completion certificate by the Senior Building Inspector.			R500-00
(b) R1500.00 is payable where the erf size is bigger than 500m <sup>2</sup> with any building plan application that involves cement / brick / steel works / swimming pool or where a structure of a temporary nature will be delivered on site and is refundable if no Municipal property is damaged during the phase of construction / erection of the structure and will only be paid out after the final inspection and provision of a completion certificate by the Senior Building Inspector.			R1500-00
<b>18.2 Search Fees</b>			R 75.00
<b>18.3 Building Plan Scrutiny Fees:</b>			
(a) Minimum Scrutiny Fee for any type of building (permanent or temporary) - includes advertising boards.	R 500.00	R 70.00	R 570.00
(b) Any alterations / additions / improvements to Residential Zone Properties is the as in 2(a) above plus an additional <b>R9-50 /m<sup>2</sup></b> (excluding VAT). This includes inter alia swimming pools, lean-to's and pergolas.			
(c) Any alterations / additions / improvements to Business Zone Properties is the as in 2(a) above plus an additional <b>R11-50 /m<sup>2</sup></b> (excluding VAT). This includes the total floor area of the development.			
(d) Any alterations / additions / improvements to Industrial Zone Properties is the as in 2(a) above plus an additional <b>R11-50 /m<sup>2</sup></b> (excluding VAT). This includes the total floor area of the development.			
(e) Any alterations / additions / improvements to Agricultural Zone Properties is the as in 2(a) above plus an additional <b>R13-50 /m<sup>2</sup></b> (excluding VAT). This includes the total floor area of the development.			

18.

**Building Plan Fees****NB**

**Approval of building plan is subjected to the settlement of all outstanding amounts on erf.**

	Tariff	14% VAT	Total
(f) For every inspection that is required to be performed by the building inspectors, and additional amount of <b>R125</b> is levied and must be paid with all of the above. It means that if 4 inspections should be done (trenches, foundation, roof and final inspection) that an additional amount of <b>R500</b> must be paid.			
(g) Advertising Board / Signage Board: For every 1m <sup>2</sup> bigger / larger than 5m <sup>2</sup> or part thereof	R 54.00	R 7.56	R 61.56
<b>18.4 Illegal structures:</b>			
(a) If buildings plans are submitted to Council for scrutiny by the owner of the property before a letter is written by the Council because of the construction of illegal structures, then over and above the normal fees that are applicable, an additional fee that is the same as the normal amount will be levied.			
(b) If building plans are submitted to Council for scrutiny by the owner of the property after a letter is written by the Council because of the construction of illegal structures, then over and above the normal fees that are applicable, an additional fee equal to 4 times the normal tariffs that are applicable will be levied.			
<b>18.5 Building Plan Copies</b>			
(a) Size AO (841 x 1189) and A1 (594 x 841 mm)			
(i) Paper	R 56.00	R 7.84	R 63.84
(ii) Sepia	R 136.00	R 19.04	R 155.04
(b) Size A2 (420 x 594) and A3 (297 x 420mm)			
(i) Paper	R 45.00	R 6.30	R 51.30
(ii) Sepia	R 81.00	R 11.34	R 92.34

RENTAL RATES ( 2011 - 2012 )	
VEHICLES	
TWK MUNICIPALITY	

FLEET CODE	DESCRIPTION OF VEHICLE	FIXED RATE PER :½ DAY	OPERATING RATE	WORK UNITS	DRYWER / OPERATOR RATE
60AK	CAR 1250 - 1450	R 28.99	R 1.49 KM		R 200.00
60AL	CAR 1451 - 1650	R 45.43	R 1.93 KM		R 200.00
60AU	MINIBUS 11 - 18	R 85.26	R 3.12 KM		R 200.00
60BA	P/VAN < 1 TON	R 21.93	R 1.26 KM		R 200.00
60BC	P/VAN > 1 TON	R 69.22	R 2.56 KM		R 200.00
60BG	LDV < 1 TON	R 21.93	R 1.26 KM		R 200.00
60BH	LDV - 1 TON	R 40.68	R 1.83 KM		R 200.00
60BI	LDV > 1 TON	R 45.02	R 2.03 KM		R 200.00
60BM	T/FLATBED < 3.5 TON	R 85.26	R 3.57 KM		R 200.00
60BN	T/FLATBED 3.6 - 4.5 TON	R 109.62	R 4.28 KM		R 200.00
60BS	T/TIP < 3.5 TON	R 85.26	R 3.57 KM		R 200.00
60BT	T/TIP 3.5 - 4.5 TON	R 116.93	R 4.44 KM		R 200.00
60BU	T/TIP 4.6 - 6.5 TON	R 141.29	R 5.44 KM		R 200.00
60CP	T/FLAT + CRANE 3.5 - 4.5 TON	R 121.80	R 4.55 KM		R 200.00
60CQ	T/FLAT + CRANE 4.5 - 6.5 TON	R 146.16	R 5.55 KM		R 200.00
60DA	T/AERIAL P/FORM < 12M	R 133.28	R 137.40 HOURS		R 200.00
60DE	T/WATER < 6 000L	R 121.80	R 4.72 KM		R 200.00
60DG	VACUUM TANKER < 6000	R 121.80	R 4.72 KM		R 200.00
60DP	REF COMP 12M <sup>3</sup>	R 268.07	R 183.14 HOURS		R 200.00
61FR	TRACTOR LOADER BACHOE 4X2	R 170.52	R 174.70 HOURS		R 200.00
61FS	TRACTOR LOADER BACHOE 4X4	R 292.32	R 255.21 HOURS		R 200.00
61FT	GRADER < 12500	R 292.32	R 196.33 HOURS		R 200.00
61HD	TRACTOR 50 - 70Kw	R 39.39	R 93.35 HOURS		R 200.00
61HE	TRACTOR > 90Kw	R 76.81	R 138.35 HOURS		R 200.00
61JA	TRAILER < 0.75 TON	R 3.50	R 0.00 DAY		R 0.00
61JB	TRAILER < 0.75 - 3.5 TON	R 8.44	R 0.00 DAY		R 0.00

- Actual Cost were used when calculated the Tariffs, in other words it does not really matter whether NGOs or private persons - this applies to all
- Vehicles and equipment will be rented only if capacity allows - no municipal work shall be left to do private work. The decision of the relevant Manager will be final in determining this.
- Minimum rental period is a half-day 08:00 to 12:00 or 12:00 to 16:00
- No work will be done over weekends, after hours or holidays - payment of overtime is always a problem
- The cost of rentals will depend on both the fixed tariff and the operating tariff as shown. In other words, the fixed rate for a half day plus operating rate multiplied by the number of units used (kilometer/s or hours as indicated) plus the cost of the operator / manager
- The tenant must sign an agreement that he / she will not claim against the Municipality in respect of any damage incurred for any reason whatsoever during the period the equipment is rented
- The decision of the specific driver / operator, together with his / her supervisor is final if the job is possible, conditions are safe enough and that the time taken is appropriate

- Technical Services and Finance will under no circumstances negotiate a lower tariff

## **FUNDING AND RESERVES POLICY**

# DRAFT FUNDING AND RESERVES POLICY

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## DRAFT FUNDING AND RESERVES POLICY

**Version:** First Draft

**Date:** 03 March 2011

**Summary:** This document describes the Funding and Reserves Policy that will be applicable to the municipality, detailed.

**Approved:** This policy was approved by the Municipal Council on 03 March 2011

**Signature:**

Municipal Manager

**Date:**

# FUNDING AND RESERVE POLICY

## 1. INTRODUCTION AND OBJECTIVE

The Council sets as objective a long term financially sustainable municipality with acceptable levels of service delivery to the community.

This policy aims to set standards and guidelines in ensuring financial viability over both the short- and long term and includes funding- as well as reserves requirements.

## 2. SECTION A: FUNDING POLICY

### 2.1 LEGISLATIVE REQUIREMENTS

In terms of Sections 18 and 19 of the Municipal Finance Management Act (Act No 56 of 2003) (MFMA), an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes. and
- Borrowed funds, but only for capital projects.

Furthermore, spending on a capital project may only be commenced with if the funding sources have been considered, are available and have not been committed for other purposes.

The requirements of the MFMA are therefore clear in that the budget must be cash – funded i.e. cash receipts inclusive of prior cash surpluses must equal or be more than cash paid.

In determining whether the budget is actually cash funded and in addition ensuring long term financial sustainability, the municipality will use analytical processes, including those specified by National Treasury from time to time.

### 2.2 STANDARD OF CARE

Each functionary in the budgeting and accounting process must do so with judgment and care, under the prevailing circumstances, as a person of prudence, discretion and intelligence would exercise to the management of his or her own finances with the primary objective of ensuring that the objectives of this policy are achieved.

### 2.3 STATEMENT OF INTENT

The municipality will not pass a budget which is not cash – funded or where any of the indicators as listed in this document is negative, unless acceptable reasons can be provided for non-compliance, provided that the requirements of the MFMA must at all times be adhered to.

## DRAFT FUNDING AND RESERVES POLICY

### 2.4 **CASH MANAGEMENT**

**Cash** must be managed in terms of the municipality's Cash Management and Investment Policy.

### 2.5 **DEBT MANAGEMENT**

**Debt** must be managed in terms of the municipality's Debt Management Policy, together with any requirements in this policy.

### 2.6 **FUNDING THE OPERATING BUDGET**

#### 2.6.1 **INTRODUCTION**

The municipality's objective is that the user of municipal resources must pay for such usage in the period it occurs.

The municipality however, recognises the plight for the poor, and in line with its **Indigents Policy and National and Provincial Government** objectives, the municipality commits itself to subsidised services to the poor. This might necessitate cross subsidisation in tariffs to be calculated in the budget process.

#### 2.6.2 **GENERAL PRINCIPLE WHEN COMPILED THE OPERATING BUDGET**

The following specific principles apply when compiling the budget:

- a) The **budget must be cash-funded**, i.e. revenue and expenditure projections must be realistic and the provision for impairment of trade receivables must be calculated on proven recovery rates
- b) **Growth Parameters** must be realistic and be based on historic patterns adjusted for current reliable information.
- c) **Tariff Adjustments** must be fair, taking into consideration general inflation indicators as well as the geographic region's ability to pay.
- d) **Revenue from Government Grants and Subsidies** must be in accordance with the amounts promulgated in the Division of Revenue Act, proven provincial transfers and any possible transfers to or from other municipalities, as well as roll-over amounts for which expenditure will be incurred in the budget period.

For the purpose of the **Cash flow budget roll-over amounts** must be excluded from the calculation as it must be included in changes in Cash and Cash Equivalents and Payables.

Furthermore, in the budget the total grants recognised as revenue must equal the total expected expenditure for grants, inclusive of capital expenditure.

- e) **Projected Revenue from Services Charges** must exclude free basic services, discounts and rebates.
- f) **Projected Revenue from Property Rates** must include all rates to be levied, but rebates and discounts must be budgeted for as an expenditure item.

## DRAFT FUNDING AND RESERVES POLICY

For the purpose of the **Cash flow Budget** all rebates and discounts must be deducted from the projected revenue.

- g) Only **Changes in Fair Values** related to cash may be included in the cash flow budget. Changes to Unamortized Discount must be included in the Operating Budget but excluded in the cash flow budget.
- h) **Employee Related Costs** include contributions to non-current and current employee benefits. It is acknowledged that the non-current benefits' requirements are well above the initial cash capabilities of the municipality, and it is therefore determined that provision for the short term portion of employee benefits, as well as an Operating Surplus calculated at 5% of the prior year balance of the long-term benefits, be included in the operating budget, in order to build sufficient cash for this requirements. The cash portion of the employee benefits must be accounted for in an "Employer Benefits Reserve".
- i) **Depreciation** must be fully budgeted for in the operating budget.

In order to ensure a sufficient accumulation of cash for the replacement of Property, Plant and Equipment and Intangible Assets, the amount of depreciation on assets funded from own sources, excluding assets funded from grants, public contributions and external loans must be reflected as a surplus on the cash flow budget.

- j) **Contributions to Provisions** (non-current and current) do not form part of the cash flow. It is however, necessary to provide for an increase in cash resources in order to comply with the conditions of the provision at the time when it is needed.

It is therefore a requirement that the contribution to current provisions, as well as 20% of the prior year balance of the non current provision, is budgeted as cash surpluses until the necessary funding level is obtained.

## 2.7 FUNDING THE CAPITAL BUDGET

### 2.7.1 INTRODUCTION

The municipality's objective is to maintain, through proper maintenance and replacement measures, existing high levels of services and to improve and implement services which are neglected or non – existent.

In order to achieve this objective the municipality must annually, within financial means, Budget for the Replacement of Redundant Assets as well as new assets.

### 2.7.2 FUNDING SOURCES FOR CAPITAL EXPENDITURE

The **Capital Budget** can be funded as follows:

- Own Contributions
- Grants
- Public Contributions
- External Loans

## DRAFT FUNDING AND RESERVES POLICY

### **Own Contributions**

The **Capital Budget** financed from own contributions must primarily be funded from the **Capital Replacement Reserve**.

Notwithstanding the above may the capital budget or portions thereof also be funded from surplus cash. The allocations of the funding sources from own contributions are determined during the budget process.

### **Grants (Including Public Contributions)**

**Grants for Capital Expenditure** have become a common practice, especially in order to extend service delivery to previously disadvantaged areas. While such grants are welcomed, care should also be taken that unusual grant funding do not place an unreasonable burden on the residents for future maintenance costs which may be higher than the ability to pay.

It is therefore determined that the Accounting Officer must evaluate the long term effect of unusual capital grants on future tariffs, and if deemed necessary, report on such to the council.

It is furthermore determined that the **Depreciation Charges on Assets Financed from Grants and Donations** must not have a negative effect on tariffs charged to the users of such assets. This will prevent double taxation. The Accounting Officer must put such accounting measures in place to comply with this requirement, to a reasonable extent.

### **External Loans**

The municipality may only raise loans in accordance with its Debt Management Policy.

The Accounting Officer must furthermore put such accounting measures in place to ensure that no Unspent Portions of Loans are being utilised for operating purposes.

For budgeting purposes any difference between proposed capital spending from loans and proposed loans raised must be included in the cash surplus for the year.

## **2.8 FUNDING COMPLIANCE MEASUREMENT**

### **2.8.1 INTRODUCTION**

The municipality wants to ensure that the Budget or Adjustments Budget complies with the requirements of the MFMA and this policy. For this purpose a set of indicators must be used as part of the budget process and be submitted with the budget. These indicators include all the indicators as recommended by National Treasury as well as reconciliations according to this policy. Any additional indicators recommended by National Treasury in future must also be taken into account, as well as any additional reconciliation items as either determined by the Council or the Accounting Officer.

If any of the indicators are negative during the compilation or approval process of the budget, the budget may not be approved until all the indicators provide a positive return.

## DRAFT FUNDING AND RESERVES POLICY

### 2.8.2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

A **positive Cash and Cash Equivalents position** throughout the year is **crucial**. In addition, the forecasted cash position at year-end must at least be the amount as calculated in the Reconciliation of Cash Requirements as determined by this policy and attached to this policy as Appendix "A".

### 2.8.3 CASH PLUS INVESTMENTS LESS APPLICATION OF FUNDS

The **Overall Cash Position** of the municipality must be sufficient to include:

- unspent conditional grants;
- unspent conditional public contributions;
- unspent borrowings;
- VAT due to SARS;
- secured investments;
- the cash portion of statutory funds
- other working capital requirements; and

In addition, it must be sufficient to back reserves as approved by the municipality and the portions of provisions as indicated elsewhere in this policy.

### 2.8.4 MONTHLY ARERAGE PAYMENT COVERED BY CASH AND CASH EQUIVALENTS ("CASH COVERAGE")

This indicator shows the level of risk should the municipality experience financial stress.

### 2.8.5 SURPLUS/DEFICET EXCLUDING DEPRICIATION OFFSETS

*It is almost certain that the Operating Budget, which includes depreciation charges on assets funded by grants and public contributions, as well as on revalued assets, will result in a Deficit.*

*As determined elsewhere in this policy it is not the intention that the users of the assets funded from grants, public contributions and revaluations must be burdened with tariff increases to provide for such depreciation charges. In order to ensure a "Balanced" Budget but excluding such depreciation charges, the depreciation charges must be offset against the net surplus / deficit.*

Should the budget result in a deficit after the offsetting, the budget will be deemed unfunded and must be revised.

### 2.8.6 PROPERTY RATES/SERVICE CHARGE REVENUE%INCREASE LESS MACRO INFLATION TARGET

The intention of this indicator is to ensure that tariff increases are in line with macro economic targets, but also to ensure that revenue increases for the expected growth in the geographic area is realistically calculated.

The formula to be used is as follows:

## DRAFT FUNDING AND RESERVES POLICY

	DESCRIPTION	PROPERTY RATES	SERVICE CHARGES	TOTAL
A	New Year Revenue Budget	R XX	R XX	R XX
B	Less: Revenue of prior year	R XX	R XX	R XX
C	=Revenue Increase/Decrease	R XX	R XX	R XX
D	% Increase/(Decrease)	C/B %	C/B %	C/B %
E	Less: Upper Limit of Macro Inflation Target	%	%	%
F	=Growth in Excess of Inflation Target	%	%	%
G	Less: Expected Growth %	%	%	%
H	=Increase attributed to Tariff Increase above Macro Inflation Target	%	%	%

In the event that the percentage in (H) above is greater than 0, a proper motivation must accompany the budget at submission, or the budget must be revised.

### 2.8.7 CASH COLLECTION % RATE

The object of the indicator is to establish whether the Projected Cash to be Collected is realistic and complies with section 18 of the M.F.M.A.

The Collection Rate for calculating the provision for impairment of receivables must be based on past and present experience. Past Experience refers to the collection rates of the prior years and Present Experience refers to the collection rate of the current financial year as from 1 July, as well as the current financial year as from 1 January.

It is not permissible to project a collection rate higher than the rates currently being obtained, even if the municipality recently approved a debt collection policy or implemented additional debt collection measures. Any improvement in collection rates during the budget year may be appropriated in an Adjustment Budget.

### 2.8.8 DEBT IMPAIRMENT EXPENSE % OF BILLABLE REVENUE

This indicator provides information whether the Contribution to the Provision for Impairment of Receivables is adequate. In theory it should be equal to the difference between 100% and the cash collection rate, but other factors such as past performance might have an influence on it. Any difference, however, must be motivated in the budget report.

### 2.8.9 CAPITAL PAYMENTS % OF CAPITAL EXPENDITURE

This indicator provides information as to the Timing for Payments on capital projects and utilising allowed payment terms.

## DRAFT FUNDING AND RESERVES POLICY

### **2.8.10 BORROWING AS A % OF CAPITAL EXPENDITURE (EXCLUDING GRANTS AND CONTRIBUTIONS)**

This indicator provides information as to compliance with the M.F.M.A. in determining borrowing needs. The Accounting Officer must ensure that the Municipality's Debt Management Policy is being complied with.

### **2.8.11 GRANTS REVENUE AS A % OF GRANTS AVAILABLE**

In order to ensure that the budget contains all grants available, this indicator must be calculated. The percentage may never be less than 100% and the recognition of expected unspent grants at the current year-end as revenue in the next financial year must be substantiated in a report.

### **2.8.12 CONSUMER DEBTORS CHANGE (CURRENT AND NON - CURRENT)**

The object of the indicators is to determine whether budgeted reductions in outstanding debtors are realistic.

Non-current Debtors should include debtors where arrangements for payment over an extended period of time were made.

An unacceptable high increase in either current- or non- current debtors' balances should be investigated and acted upon.

### **2.8.13 REPAIRS AND MAINTANCE EXPENDITURE LEVEL**

It is of utmost importance that the municipality's Property Plant and Equipment be maintained properly, in order to ensure sustainable service delivery. The budget should allocate sufficient resources to maintain assets and care should be exercised not to allow a declining maintenance program in order to fund other less important expenditure requirements.

Similarly, if the maintenance requirements become excessive, it could indicate that a capital renewal strategy should be implemented or reviewed.

As a general benchmark the Maintenance Budget should be between 5% and 8% of the asset values.

### **2.8.14 ASSET RENEWAL/REHABILITATION EXPENDITURE LEVEL**

This indicator supports further the indicator for repairs and maintenance.

The Accounting Officer must, as part of the capital budget, indicate whether each project is a new asset or a replacement/renewal asset in order to determine whether the renewal program is sufficient or needs revision.

### **2.8.15 FINANCIAL PERFORMANCE BUDGET**

Although it is not a legal requirement that the financial performance budget should balance, it only makes management sense that it should balance.

## DRAFT FUNDING AND RESERVES POLICY

A number of line-items influence the net result of the financial performance budget. It includes capital grant revenue, depreciation charges including those where assets were funded from grants and public contributions, unamortised discounts and gains/losses on the disposal of Property Plant and Equipment. These items need to be taken into consideration in order to establish if the operating budget is realistic and credible.

### **2.8.16 FINANCIAL POSITION BUDGET**

This indicator provides an overall view of the **Projected Financial Position** over the periods of the Medium Term Expenditure framework, including movements in inventory and payables.

### **2.8.17 CASH FLOW BUDGET**

A **Positive Cash Flow** is a good indicator of a **Balanced Budget**, as well as the ability of the municipality to meet its future commitments.

The **Cash Flow Budget**, however, does not include those items such as contributions to the provisions described elsewhere in this policy, the effect of depreciation charges etc, and care must be taken not to let a projected positive cash inflow lead to additional expenditure requests, without taking the requirements of those items into consideration.

## **3. SECTION B: RESERVES POLICY**

### **3.1 INTRODUCTION**

**Fund Accounting** historically formed a huge part of municipal finance in the IMFO Standards.

Since the municipality changed to General Recognised Accounting Practices (GRAP), Fund Accounting is no more allowed.

The municipality, however, recognises the importance of providing to the municipality itself, as well as its creditors, financiers, staff, and general public a measure of protection for future losses, as well as providing the necessary cash resources for future capital replacements and other current and non-current liabilities.

This policy aims to provide for such measure of protection by creating certain reserves.

### **3.2 LEGAL REQUIREMENTS**

There are no specific legal requirements for the creation of Reserves, except for the Housing Development fund.

The GRAP Standards itself also do not provide for reserves.

However, Paragraph 91 of the GRAP “Framework for the Preparation and Presentation of Financial Statements” states that such reserves may be created, but “Fund Accounting” is not allowed and any such reserves must be a “legal” reserve, i.e. created by law or Council Resolution.

### **3.3 TYPES OF RESERVES**

Reserves can be classified into two main categories being “Cash Funded Reserves” and “non – Cash Funded Reserves”.

#### **3.3.1 CASH FUNDED RESERVES**

In order to provide for sufficient cash resources for future expenditure, the municipality hereby approves the establishment of the following reserves:

(a) **Capital Replacement Reserve (CRR)**

The CRR is to be utilised for future capital expenditure from own funds and may not be used for maintenance– or other operating expenditure.

The CRR must be cash-backed and the Accounting Officer is hereby delegated to determine the contribution to the CRR during the compilation of the Annual Financial Statements.

(b) **Employee Benefits Reserve**

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits.

The contributions to the reserve must be made in accordance with the directives set in the funding policy.

(c) **Non-current Provisions Reserve**

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions.

The contributions to the reserve must be made in accordance with the directives set in the Funding Policy.

(d) **Other Statutory Reserves**

It may be necessary to create reserves prescribed by law, such as the Housing Development Fund. The Accounting Officer must create such reserves according to the directives in the relevant laws.

#### **3.3.2 NON-CASH FUNDED RESERVES**

It might be necessary to create non – cash funded reserves for a variety of reasons, including GRAP requirements. The Accounting Officer must create any reserves prescribed by the Accounting Standards, such as the Revaluation Reserve, if required.

The Accounting Officer is hereby delegated and may also in the discretion of the Accounting Officer, create reserves for future depreciation offsetting, in the absence of a standard similar to IAS 20.

## DRAFT FUNDING AND RESERVES POLICY

### 3.4 **ACCOUNTING FOR RESERVES**

#### 3.4.1 **REVALUATION RESERVE**

The accounting for the **Revaluation Reserve** must be done in accordance with the requirements of **GRAP 17**.

#### 3.4.2 **OTHER RESERVES**

The **accounting for all other reserves** must be **processed through the Statement of Financial Performance**. The required **transfer to or from the reserves** must be processed in the **Statement of Net Assets** to or from the accumulated surplus.

It is a condition of GRAP and this policy that **no transactions may be directly appropriated against these reserves**.

## 4. SECTION C: REVIEW OF THE POLICY

This funding and Reserves Policy is the only policy of the municipality and **replaces any past policies** in this regard. Any **revision of the policy** must be **approved by the Municipal Council**.

**Whenever the Minister of Finance or the National Treasury or the Auditor – General requests changes to the policy by way of legislation, changes to GRAP or otherwise, it must be reviewed and submitted for consideration by the Council**. Such submission must be accompanied with a full description of the reasons for the change to the policy.

**RECONCILIATION OF CASH REQUIREMENTS**

Cash flow from operating activities	R XX
Add: Depreciation from own funds	R XX
Add: Contribution to current provisions	R XX
Add: 20% of prior year non – current provisions balance	R XX
Add: 5% of prior year non – current employee benefits balance	R XX
Add: Unspent conditional grants	R XX
Add: Unspent public contributions	R XX
Add: Unspent borrowings	R XX
Add: VAT due to SARS	R XX
Add: Secured investments	R XX
Add: Cash portion of Statutory Reserves	R XX
Add: Working Capital Requirements	R XX
= Minimum Cash Surplus Requirements for the year	R XX

## **COMMENTS / REPRESENTATIONS RECEIVED ON THE 2011/2012 DRAFT BUDGET (5/1/1)**

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### **1. INTRODUCTION**

To present to council the comments and representations received on the 2011/2012 Draft Budget which was tabled on 3 March 2011. The comments and representations emanate from the intensive ward committee and public engagements during October and November 2010 and again ward committee meetings during March. The IDP, Budget, Tariffs and Budget-related documents were published for comments. The closing date for comments was 29 April 2011.

The Comments received, are attached per Annexure:

- A – LGMTEC
- B – Comments (letters) received from other stakeholders (*Note on click the hyperlink to view the letter*)
  - B1 - Tariff Reduction Request by Opposition Party: Draft Budget Meeting
  - B2 - Riviersonderend Ratepayers Association (18 March 2011)
  - B3 - Riviersonderend Ratepayers Association (04 April 2011)
  - B4 - Riviersonderend Ratepayers Association (Payment Date)
  - B5 - Meeting of the TWK Ratepayer's forum held at Grace Guesthouse, Caledon, at 10.00 on 1<sup>st</sup> April 2011
  - B6 – Greyton Residents & Ratepayers Organization (31 March 2011)
  - B7 – Botrivier Ratepayers Association (22 March 2011)
  - B8 – Greyton Resident (IDP Comment – 31 March 2011)
- C – Responses to comments received
  - C1 - Tariff Reduction Request by Opposition Party: Draft Budget Meeting
  - C2 - Riviersonderend Ratepayers Association (18 March 2011)
  - C3 - Riviersonderend Ratepayers Association (04 April 2011)
  - C4 - Riviersonderend Ratepayers Association (Payment Date)
  - C5 - Meeting of the TWK Ratepayer's forum held at Grace Guesthouse, Caledon, at 10.00 on 1<sup>st</sup> April 2011
  - C6 – Greyton Residents & Ratepayers Organization (31 March 2011)
  - C7 – Botrivier Ratepayers Association (22 March 2011)
  - C8 – Greyton Resident (IDP – 31 March 2011)

### **2. LEGAL IMPLICATIONS**

Section 23 (1) of the MFMA reads as follows:

*"When the Annual Budget has been tabled, the municipal council must consider any views of the local community and the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget".*

Section 23 (2) of the MFMA reads as follows:

*"After considering all budget submissions, the council must give the Mayor an opportunity to respond to the submissions and if necessary, to revise the budget and table amendments for consideration by the council".*

### **3. SUBMISSION OF DRAFT BUDGET**

The Draft Budget and Budget-related documents were forwarded to National Treasury, Provincial Treasury and other sector departments. Notices were placed in local newspapers and the Draft Budget was placed in the municipal website inviting stakeholders' comments.

A comprehensive Newsletter was also issued on the Draft Budget. Council also conducted additional hearings / consultation sessions with Ward Committee's and Town Advisory Forums (TAF) between 14 – 17 during March 2011 in an attempt to deepen democracy and public participation for ownership of the budget.

#### **4. DISCUSSION / COMMENTS AND RESPONSES**

##### **4.1. National Treasury**

Theewaterskloof Municipality has been delegated to the Provincial Treasury in terms of MFMA compliance and monitoring and thus no comments were received from National Treasury, but from the Provincial Treasury – Western Cape.

##### **4.2. Provincial Treasury / LGMTEC (Local Government Medium Term Expenditure Committee)**

Local Government Medium Term Expenditure Committee (LGMTEC) meeting was held on 12 May 2010 at 13:00 in the Caledon Council Chambers.

Comments from Provincial Treasury regarding the matters raised in their assessment report on TWK Municipality's IDP and budget responsiveness, credibility, Governance, risk assessment and the responses provided.

###### **1. Budget**

- ◆ Detail and Quality of the Budget and Presentation by TWK Municipality who are always thorough, clear and well prepared, is noted.
- ◆ A well thought through Budget Process and Engagements and Self-assessment.
- ◆ The IDP and Budget is aligned.
- ◆ The Debt Collection strategy and initiatives is encouraging
- ◆ Progress made by TWK is noted
- ◆ The Two Outer Years' (2011/12 and 2012/2013) Capital Budget not Credible- CFO explained that the Mayor's Speech and the Council Resolution clearly indicated that the two years be reviewed and indicated in the presentation the adjusted Capital Budgets.

###### **2. Challenges**

- ◆ Debt Collection Challenges and solutions provided by the CFO was noted
- ◆ Responses and Challenges in particular funding was raised by the Deputy Director: Development regarding Housing and GAP Housing.
- ◆ TWK was commended for their attempts to address GAP Housing, a challenge most municipalities are avoiding.
- ◆ Director: Technical Services concern about lack of funding for fast-tracking Infrastructure Backlogs and Asset Renewal Programmes. Point was noted as this is generally a problem in almost all municipalities.
- ◆ Responsive Rating given

###### **3. Supply Chain Management**

- ◆ Generally in most municipalities there is a problem with Demand Management & Value for Money being obtained in the SCM process
- ◆ Extension of Contracts (Variation Orders) clarity was sought. The Process followed was clarified and in line with the SCM Regulations- MM make decision based on Reasons and Motivations provided. Retrospective analysis of SCM- to identify deviation report.
- ◆ TWK is commended for their plans to review the 10 and 20 Tender Points (in the 90/10 and 80/20 Points Scoring System) per Project / Tender to target certain Preferential Areas to benefit certain groups- E.g. (Disabled / Local / Woman, etc)
- ◆ Satisfied to see the financial benefits of SCM (e.g. the much lower Insurance Premium paid by TWK as a result of competitive bidding and that such savings are used to the benefit of the municipality)
- ◆ TWK however is SCM Compliant with exception of Demand Management

#### **4. Audit**

- ◆ Progressed from Qualified to Unqualified Audit Opinions:TWK is commended for the progress made in moving from Qualified Audit Opinions two successive Unqualified Audit Opinions for the last 2 years (2007/2008 & 2008/2009).
- ◆ It is encouraging to hear that the municipality is commitment and strive to have total “Clean Audits”.
- ◆ Some of the Challenges to obtain “Clean Audits” such as Creditors are sometimes not paid within 30 Days due to invoice not submitted in time and Orders not placed before acquiring goods/services which could be addressed if a SCM is Centralisation.
- ◆ Furthermore the Centralisation would also assist in the implementation of Demand Management.
- ◆ It is also believed that most matters in the Audit Report refer Fixed Assets and with the Accountant: Asset appointed these matters will be addressed.

#### **5. Influx of People**

- ◆ The extent of the problem of Influx of (especially indigent) people is noted.
- ◆ Freedom of movement makes it difficult to manage the problem
- ◆ It is acknowledged that there is no easy solution to the problem as people stream to areas for work and where good services are provided.
- ◆ The pressure on infrastructure is acknowledged.

#### **6. Minimum Competencies Level Requirements in terms of S. 83 of the MFMA**

- ◆ The concerns raised by the CFO and the district CFO Forum are noted.
- ◆ CFO was requested to do a detailed presentation at the next CFO Forum, indicating the problems experienced. Should also include staff, time, cost, cost for time out of office, etc. in order for National Treasury to provide clear guidance

#### **General / Concluding Remarks**

- ◆ Detail and Quality of the Budget and Presentation by TWK Municipality who are always thorough, clear and well prepare was emphasized again.
- ◆ Treasury normally takes Service Delivery and especially Financial Management best practices learned from TWK to share with other municipalities

#### **4.3. Comments received from the Community and Organisations**

Comments letters from the community and other stakeholders are attached per Annexure "B" is summarised as follows:

#### **RESPONSE TO QUERIES ON IDP/BUDGET 2011/2012**

##### **B1 – Tariff Reduction Request by Opposition Party: Draft Budget Meeting**

At the Council Meeting of 03 March 2011 when the Draft Budget was tabled, the Opposition Party raised concerns about the Assessment Rates, Refuse Removal and Sewerage Tariffs and requested increases by only 4.5%.

##### **Implication of Request to Increase Tariffs by 4.5%**

If the municipality increase the tariffs by 4.5% a cash deficit of R3,026,805 will be realised on the cash Budget. Different scenarios was considerate and a conclusion was reach that the municipality cannot afford to lower propose increases of tariffs as expenditure should then be decrease.

##### **The following Expenditure and Economic/Financial Indicators must be noted:**

- **Employee Related Cost and Councillor Remuneration** is set and cannot be decrease.  
CPI of 6% + 1.5% = 7.5% (Wage agreement) + 2% (Notch Increase) +2% (TASK) = 11.5%
- **Councillors' Remuneration** 10%
- **Bulk Purchases:** Set by Eskom/Electricity(26.71%) and Water Board (Proposed: 15%)
- **Fuel:** 9.18 (02 March 2011); R8.75 (02 Feb 2011) Increase of 5%
- **Capital Charges:** Decrease would mean a reduction in the Capital Program and with current backlogs it would have a negative impact on service delivery and development:  
**Impact of Loans** (Increase in 24% compared to 2010/2011) Interest and redemption on loans increased from R16, 010,696 to R19, 797,868. The new loan for 2011/2012 amounts to R21,285,121. The **Prime Interest rate** at present is 9% however risk to inflation outlook emanating from global commodity price increases has become more evident. These risks relate mainly to oil and food price developments and can cause the Repo Rate to increase.
- **CPI Headline** February 2011 = 3,7%. From January 2011 to February 2011 the Consumer Price Index for all urban increased by 0,7%.

**Provision for Working Capital:** Is calculated conservatively at 5% to make provision for unpaid Rates and Consumer Service Debtors.

The current economic environment can have a negative financial impact on consumers' ability to pay their bills.

The Tsunami in the 3<sup>rd</sup> largest economy (Japan) can have a ripple effect on the South African Economy: this would have a negative impact on for example exports, imports, markets, growth in GDP and motor parts (Toyota, Nissan, Honda, etc.)

The Unrest in the North Africa Middle East can have an impact on further oil prices increases and can increase inflation that will decrease disposable Income caused by increases in food prices, Interest rates, basic commodities, etc. If the unrest in the Middle East and North Africa expand in Africa as seen in Tunisia, Egypt, and Libya it can mean that Citizens of that countries fleeing and can cause a further influx into South Africa where there are political stability.

**Contractor Services:** The Municipality is legally bound by contracts.

**General Expenses: Fuel and Oil** amounts to R2,773,600 and the current uprising in the middle east is already having an adverse effect on oil prices.

The uprising in Egypt had a domino-effect on the rest of the Arabic world. After Egypt it was Libya. Although Egypt is not a big contributor in exporting oil to the rest of the world it is an important link in the supply chain as the Suez Canal connects the Mediterranean and Red Sea. It is located in Egypt and it is critical in the transportation of one million barrels of oil each day to Europe and other developed economies.

Libya is ranked in the top 20 oil exporters in the world. This will undoubtedly have a negative impact as can be seen in the recent increases in fuel prices and we all know the domino effect of increase in fuel prices.

The current situation in the Middle East could result in an insufficient Budget on fuel and oil and the expense might increase significantly.

**Repairs and Maintenance:** the Municipality's expenditure on Repairs and maintenance is already below the threshold. Cutting in this area may have serious repercussion for the Municipality.

Usually municipalities decrease expenditure on Repairs and Maintenance of assets and result in the decline or breakdown of assets (Example Sannieshof) which lead to a compromise in service delivery and leads to services not being sustainable and ultimately the municipality not being Financially Viable.

**Section 4.2 of the MFMA Circular 55 States the following norms for Repairs and Maintenance and the Municipality is below the set norms:**

- Table A8:**Repairs and Maintenance/Capex** – Norm: 40% : Currently TWK:CurrentR17,344/R50,463= 34%
- Table A9:**Repairs and Maintenance/Asset Value** – Norm 8%: R17,344/R315,110 = 6%
- Table A4:**Repairs and Maintenance/OPEX** – Norm 10%: R17,344/R291,540 = 6%

**Furthermore, Section 3 of the MFMA Circular 55 reads as follow:**

*"Given the upcoming elections (to take place on 18 May 2011) municipal councils may be tempted to prepare an 'election friendly budget'– with unrealistically low tariff increases and an over-ambitious capital expenditure programme. Such an approach will result in the budget being unfunded, which will place the financial sustainability of the municipality at risk and impact negatively on service delivery.*

### **Conclusion:**

The Finance Department once more considered open-mindedly the request and came up with the above four scenarios of 5.9%, 5.5% and 4.5% increases which yielded deficits of R148,770, R1,306,433, R2,151,628 and R3,026,805, respectively.

In conclusion with all these uncertainties it would be unwise to decrease the set tariff increases as this might compromise the financial viability of the Municipality.

OPERATING INCOME & EXPENDITURE BUDGET					
EXPENDITURE SUMMARY	2011/2012	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Budget				
Employee related costs	100,810,424	100,810,424	100,810,424	100,810,424	100,810,424
Councillors' Allowances	6,630,100	6,630,100	6,630,100	6,630,100	6,630,100
<b>General Expenses:</b>		-	-	-	-
<b>Sub Total</b>	<b>86,792,734</b>	<b>86,792,734</b>	<b>86,792,734</b>	<b>86,792,734</b>	<b>86,792,734</b>
Provision for Working Capital	4,033,606	4,033,606	4,033,606	4,033,606	4,033,606
Bulk Purchases	42,873,388	42,873,388	42,873,388	42,873,388	42,873,388
<b>1. Repair &amp; Maintenance:</b>		-	-	-	-
<b>Sub Total</b>	<b>17,343,895</b>	<b>17,343,895</b>	<b>17,343,895</b>	<b>17,343,895</b>	<b>17,343,895</b>
Contractor Services	15,600,653	15,600,653	15,600,653	15,600,653	15,600,653
Capital Charges	14,303,253	14,303,253	14,303,253	14,303,253	14,303,253
<b>Net Operating Expenditure</b>	<b>288,388,053</b>	<b>288,388,053</b>	<b>288,388,053</b>	<b>288,388,053</b>	<b>288,388,053</b>
Capital Out of Revenue (Inventory)	2,211,772	2,211,772	2,211,772	2,211,772	2,211,772
Capital Out of Revenue (Quick wins)	940,000	940,000	940,000	940,000	940,000
<b>Net Expenditure (NON CASH)</b>	<b>291,539,824</b>	<b>291,539,824</b>	<b>291,539,824</b>	<b>291,539,824</b>	<b>291,539,824</b>
1. Less: Depreciation	(23,119,539)	(23,119,539)	(23,119,539)	(23,119,539)	(23,119,539)
2. Add: Redemption on external loans	7,594,615	7,594,615	7,594,615	7,594,615	7,594,615
3. Less Remuneration Provisions	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)
<b>Net Expenditure (CASH)</b>	<b>271,814,901</b>	<b>271,814,901</b>	<b>271,814,901</b>	<b>271,814,901</b>	<b>271,814,901</b>
REVENUE SUMMARY	2011/2012	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Budget	5.90%	5.50%	5%	4.5%
Assessment Rates	-40,182,504	-39,076,391	-38,920,451	-39,576,951	-38,809,244
<b>Services:</b>		-	-	-	-
Electricity	-57,053,791	-57,053,791	-57,053,791	-57,053,791	-57,053,791
Water Sales	-37,689,995	-37,689,995	-37,689,995	-37,689,995	-37,689,995
Refuse Removal	-14,084,557	-14,299,894	-13,689,843	-13,955,901	-13,894,694
Sewerage	-14,797,360	-14,716,997	-14,325,326	-12,557,575	-12,511,310
<b>Sub Total</b>	<b>-123,625,703</b>	<b>-123,760,678</b>	<b>-122,758,955</b>	<b>-121,257,262</b>	<b>-121,149,790</b>
Traffic Fines	-5,058,300	-5,058,300	-5,058,300	-5,058,300	-5,058,300
Investment Interest / Penalties	-7,700,000	-7,700,000	-7,700,000	-7,700,000	-7,700,000
Licences & Permits	-62,760	-62,760	-62,760	-62,760	-62,760
Rentals	-1,533,910	-1,533,910	-1,533,910	-1,533,910	-1,533,910
Sundry / Other Income	-42,441,091	-42,441,091	-42,441,091	-42,441,091	-42,441,091
<b>Grand in Aid:</b>		-	-	-	-
Grants - Equitable Share	-46,935,000	-46,935,000	-46,935,000	-46,935,000	-46,935,000
Grants - Other Operating Purposes	-5,098,000	-5,098,000	-5,098,000	-5,098,000	-5,098,000
<b>Sub Total</b>	<b>-52,033,000</b>	<b>-52,033,000</b>	<b>-52,033,000</b>	<b>-52,033,000</b>	<b>-52,033,000</b>
<b>Net Operating Revenue</b>	<b>(272,637,269)</b>	<b>(271,666,130)</b>	<b>(270,508,467)</b>	<b>(269,663,274)</b>	<b>(268,788,096)</b>
<b>Surplus (CASH)</b>	<b>(822,368)</b>	<b>148,770</b>	<b>1,306,433</b>	<b>2,151,626</b>	<b>3,026,805</b>
	Surplus	Deficit	Deficit	Deficit	Deficit

## B2 – Riviersonderend Ratepayers Association (18 March 2011)

We acknowledge receipt of your letter dated 18 March 2011 and thank you for your comments and questions.

Our response to your questions is as follows:

1. The R300, 000 is not the only amount allocated for Riviersonderend. We also need to take into account the R217, 500 for Minor Capital Items, a Refuse Vehicle for

R400,000 (included in the R1,1m in the Fleet Budget), installation of Prepaid Water and Electricity Meters and other items with an indirect benefit to all towns.

2. No funds have been transferred from Roads to Botrivier WWTP or any other vote. We do not know which report you are referring to or how you arrived at the figure of R5, 887,332.
3. In the 2010/2011 Budget the amount of R16,590,960 represent the Capital Budget for Water of different towns as reflected in the table below:
  
4. According to the Director: Technical Services, Training of the Operators will be conducted in the near future.
5. To answer your question we would like to refer you to Chapter 2 (Section 21) of the Constitution of South Africa, the Bill of Rights:

***“Freedom of movement and residence”***

1. *Everyone has the right to freedom of movement.*
2. *Everyone has the right to leave the Republic.*
3. *Every citizen has the right to enter, to remain in and to reside anywhere in, the Republic.”*

TOWN	WATER PROJECTS	2010/2011 AMOUNT
Botrivier	Bulk Water Infrastructure Upgrading(3 ML Reservoir & Pump Station,100m Pumpline to new Reservoir & 150m new 315dia line to connect to existing res)	5 842 365
Genadendal	Voorstekraal 150kl Reservoir	150 000
Grabouw	Bulk Water Capacity Upgrading (Phase 3 ) New 550 to 500 mm dia pipeline between Eikenhof Dam and Worcester Street Pump station & Collinskop Booster PS	8 135 415
TWK	Pre-paid Water Meters/ Water Demand Management	2 463 180
	<b>TOTAL</b>	<b>16 590 960</b>

We however acknowledge the impact of such influx of unemployed people on our bulk infrastructure and service delivery capacity. We do receive some relief government grant in the form of the Equitable Share.

Our initial indicative estimate for Indigent Subsidy in the “Focus Area” was R24 million (VAT inclusive). The figure of R21,035,366 (VAT inclusive) reflected in the section “Cost of Indigent Subsidy” was based on across-the-board tariff increases of approximately 10%. The Final Draft Tariff increases were used to recalculate the final Indigent Subsidy for 2011/2012 and amounts to R18,549,269 (VAT exclusive) as per the Newsletter and presentation at the Ward Committee Meeting.

We apologise for any confusion that this might have caused.

6. We do not know which “book” you are referring to as paragraph 15.3 has not been removed from the Tariffs or the Rates Policy.
7. Housing Queries  
According to the Housing Manager the Municipality’s 5 Year Housing Plan is prioritised in terms of the following criteria:

-Where the need is the greatest which is determined by the Housing Register for example:

<u>Town</u>	<u>Applicants per Housing Register</u>
Grabouw	3 646
Villiersdorp	2 139
Caledon	1 613
Riviersonderend	619
Bot River	550
Genadendal	229
Greyton	201
Voorstekraal	113
Bereaville	118
Tesselaarsdal	78
<b>Total:</b>	<b><u>9 306</u></b>

- Existing Housing Projects receive preference because these projects must first be completed and cannot be stopped.
- Planning Readiness: Projects that are already fully planned and are ready to be implemented, enjoys preference.
- Other Aspects for example when last a Housing Project was done in a specific area.

From the abovementioned information it can be deduced that Grabouw, Villiersdorp and Caledon are the prioritised Towns for Housing Delivery.

Furthermore, the planning aspect of the Housing Project takes more than two (2) years and consequently the implementing of the Housing Project for the following three (3) years is not possible. Riviersonderend's Housing Project was completed early in 2009. Planning is time-consuming and it should be noted that we are experiencing delays as a result of Environmental Impact Studies in Riviersonderend.

#### 8. Ordinance 393 of 2009 reads as follow:

*"When making public the annual budget and supporting documentation in terms of section 22(a) of the Act, read with 21A of the Municipal Systems Act the Municipal Manager must also make public any other information that the **municipal council considers appropriate** to facilitate the budget process including:*

- Information **relevant** to each ward."*

The **IDP, Budget Process and compiling of Council's Budget (including Tariffs)** is done in a manner which is transparent, participatory and well in line with the Constitution of South Africa, the Municipal Systems Act, Municipal Finance Management Act (MFMA), other relevant Legislation, Regulations and Government Guidelines.

In terms of Section 17 of the Municipal Finance Management Act, prescribes the **Contents of annual budgets and supporting documents**.

- (1) *An annual budget of a municipality must be a schedule in the prescribed format—*
  - (a) *setting out realistically anticipated **revenue** for the budget year from each **revenue source**;*
  - (b) *appropriating **expenditure for the budget year under the different votes** of the municipality;*
  - (c) *setting out **indicative revenue per revenue source and projected expenditure by vote** for the two financial years following the budget year;*
  - (d) *setting out—*
    - (i) *estimated **revenue and expenditure by vote** for the current year; and*
    - (ii) *actual **revenue and expenditure by vote** for the financial year preceding the current year; and*
  - (e) *a statement containing any other information required by section 215 (3) of the Constitution or as may be prescribed.*

(2) An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.

In view of the above, it is clear that our disclosures are over and above the minimum legislative requirements.

We are not required to have Budgets per Town but per Vote (Cost-centres/Departments such as Water, Electricity, Sewer, Housing, Finance, Parks, etc).

Within each of these Votes we have Subjective Classification of Expenditure and Income (Eg. Employee Related Cost, Repairs and Maintenance, Contractor Services, Bulk Purchases, etc.).

Within each Subjective Classifications we have Line-Items (eg. Within the Subjective Classification of Employee Related Costs we have Salaries, Overtime, Medical Aid, Pension, etc. and within Repairs and Maintenance we have Line-items such as R& M of Buildings, R&M of Vehicles, etc.).

We however do have Expenditure classification of Employee Related Cost, Repairs and Maintenance of some Line-items, per Vote and per Town. The Capital Budget is also per Town as well as per Programme, Project and Source of Finance.

Income from Rates and Services (Water, Electricity, Sewer and Refuse) Levies and Actual Receipts is disclosed per Town. The above is also clearly reflected in our Monthly Financial Reports which are promptly placed on our website ([www.twk.or.za](http://www.twk.or.za)) for the sake of transparency, accountability and your convenience.

It must be borne in mind that major/costly systems amendments/upgrading and additional administration costs will be incurred to have a "Sub-system" for Detailed Town Budgets, each with its own Votes and Line Items. The question is, whether full value for money would be justified.

We would be grateful if in future comments, you would kindly refer specifically to the document name and page numbers. This will enable a much faster and efficient response.

### B3 – Riviersonderend Ratepayers Association (04 April 2011)

A few questions concerning the Budget, before we can give a meaningful contribution.

1. What percentage was used for each town in the allocation of the TWK shared expenses?

**(We used Sub-votes [040] with actual budgets per town and for Corporate Votes [000] we used Population Statistics as a basis for pro-rata allocations where there are no sub-votes- See Annexure "A")**

2. If this is the full extent of the expenditure of the Budget – Where does the money for the Capital items come from eg. R300 000 for Store (**Loans**); R400 000 for Dirt truck (**Loans: This should be Refuse Removal Truck**); R217 000 (**Income**) for small capital projects?

3. We insist that the mountain water pipeline be addressed, as it went through the Ward Committee and was determined to be Priority 1 for the whole community. We were promised that a start would be made this year, if it were listed as a priority. Although the pipeline is functioning at the moment, it is in a delicate state and any major rupture would result in us having to use the river water, which is undesirable. All these points were discussed in the Ward Committee meeting and consensus was reached.

If TWK cannot see its way clear to fund this project above the existing ones, consideration to scrapping the *Dirt truck and even the Municipal store* until the pipeline project has been completed. We strongly recommend that a start be made this year, before we sit with a health problem and water shortage in this town.

**(The request to start with the upgrade of the water pipeline will be reported to Council. At this stage we cannot make any promises, but we can assure you that Council will make an informed decision.)**

Please find attached the Town Budget figures with some queries on the attached sheet.

**We would appreciate a speedy reply as we still need to consider all your responses before we can make our final informed comment – With the deadline as end of workday today.**

4. Could you please indicate re the list supplied on Friday at the Forum meeting: Which are RSE expenditures only and which are shared with TWK.  
*(See Annexure "A"- this was provided at the meeting )*
5. **Line item 5220:** Heffing nie ontvang R242,016 – is this money that has been written off? Please elaborate.  
*(It is the contribution to Doubtful/ Irrecoverable Debts base on a payment percentage of 95%)*
6. **Line item 5560:** TV herlaaistasie – Where is this station? Who does it service?  
*(The stations are in Caledon, Rivieronderend, Villiersdorp and service the communities of those towns)*
7. **Line item 5852:** Caledon stortingsterrein – Does RSE make use of this facility?  
*(No)*
8. **Line item 5853:** Verwyde T'dal en M'ton – Please elaborate.  
*(Refuse removal is performed on contract by private contractors in Tesselaarsdal and Middleton)*
9. **Line item 6040:** Aansluitings nut – Who benefited from this? Where is it?  
*(It is for material for new connections (Water, Electricity, Sewer) in all Towns. The cost of the connections are recovered)*
10. **Line item 6240:** Bediening van dagvaaring – Who does this work? Where is this work done?  
*(It is for serving Of Traffic Offence Summons and the work are done by the sheriff of the court)*
11. **Line item 6575:** Fulltime Shopsteward – Who and where?  
*(At this stage TWK is sharing a SAMWU fulltime shop steward with other municipalities within the Overberg district in terms of the South African Local Government Bargaining Council (SALGBC) main collective agreement. The aforesaid agreement was concluded between the Unions representing the employees at the various municipalities' and SALGA (South African Local Government Association) who represents the Municipality's. The elected official is currently based at Overstrand municipality, and services TWK municipality as and when required. The amount TWK is responsible for is pro rata rated.)*
12. **Line item 6740:** SABS inspektoraatfooi- Wat en waar word daar geinspekteer?  
*(Die toerusting by die Voertuig Toestsasies in Caledon en Grabouw moet geinspekteer word ten einde te voldoen aan die SABS Standaarde)*
13. **Line item 6965:** Financial viability – Please elaborate.  
*(See Annexure "B" for brief synopsis of part of the strategy: numerous of these interventions/initiatives are only dreamt of by many municipalities and some of them are regarded as best practice by Treasury, SALGA, etc.)*
14. **Line item 7044:** GIS – what is it? Is it an acronym? Please elaborate.  
*(GIS is a Geographic Information System is Software and is used for all the towns)*

## **REQUEST FOR CHANGE IN ACCOUNT PAYMENT DATE**

We acknowledge receipt of your letter dated 18 March 2011 and apologise for the delay in response.

Please note that a response was provided to you per letter dated 18 October 2011, a copy of which is attached for easy reference.

We do however note your concerns and will once again review our billing cycle to look at the possibilities and how feasible it would be without this having a negative impact on our cash flow.

### **B5 - MEETING OF THE TWK RATEPAYER'S FORUM HELD AT GRACE GUESTHOUSE, CALEDON, AT 10.00 on 1<sup>st</sup> April 2011**

1. **Present:** Gerald McCann (GM) Bot River, (Chairman); Johan van Niekerk (JvN), Bot River; Gert Kogelberg (GK) Caledon, Leo Pompe van Meerdevoort, Villiersdorp (PvM); Jenny Pierd, Villiersdorp; Joe van Lierde (GvL), Greyton, Weem Rosenstrauch (WR) and Clive Sanderberg, Riviersonderend. Mr. Jacobs, Director of Finances, TWK, and Joana Dibden, TWK Tourism and Development, were welcomed as guests to the meeting.
2. **Apologies:** Jenny Duncan (Greyton) and Jan Barnard (TWK)
3. **Opening and welcome:** The Chairman welcomed all present, especially Mr. Jacobs.
4. **Minutes of the meeting held on 4 February 2011** had been electronically circulated and were taken as read. Proposed, WR and seconded LvM.
5. **Matters arising:**  
Net metering of electricity. GK explained the concept of Net metering as a means of reducing electricity consumption by using alternative means and earning ‘Carbon credits’ for the country. TWK is actively exploring and promoting the concept, as it is closely related to industrial development. TWK hopes to finalise the Net metering policy for the area by the end of the year. He handed out a CD to each attending member for further study. Joanna Dibden said that TWK is looking at the use of sustainable wind-power and is presently negotiating with Escom. WR emphasised that ‘local’ does make a difference, (every house has an alternative energy source.)  
Local Industrial Development: Joanna Dibden explained what the object of the LED was to local environmental and business prospects. TWK envisaged partnerships to improve the economic environment. And tourism, as well as residential growth in the satellite towns.  
TWK is looking at Light Industrial Development to be in place by 2020, with a community strategy and action plans in place.  
Rebates for development in the area: A strategy is in place to accommodate pensioners.  
JvN stressed the importance of introducing sliding scales for the payment of rates and services. Farmers rates also needed ongoing investigation, as their labour and transport use TWK roads and facilities. Mr. Jacobs undertook to look into possible sliding scales, but emphasised the need of additional staff to implement such scales without additional income.  
5.4 Mr. Jacobs then addressed the meeting on the LED and handed out a document summarising the draft budget, which he discussed in detail. He mentioned market strategies on use and supply and also spoke about trying to reduce indigent subsidies.  
5.5 Development of a Website: GK is working on a Website, using the Hermanus model.  
He will circulate his proposals to members via E-mail.  
5.6 Standardisation of Constitution: GK said that we need to find a Ratepayers Forum that already has a Constitution and use this as a model. He had such a model available and would circulate it to members.  
5.7 Input into the draft budget: **WR was adamant that the lack of community consultation in drawing up the budget proposals was unconstitutional.** He had handed over a document to a legal representative for input, and circulated his letter of objections to TWK to the Forum members. Members were all in agreement that the input at Ward Committee level was not acceptable and that answers to questions were not forthcoming. Mr. Jacobs said that the date for submitting objections to the Budget Proposals would be extended to Monday 4<sup>th</sup> April.

He said that community consultation was bypassed as the budget must be presented to Council before the Municipal elections.

5.8. Mr. Jacobs was presented with a further opportunity to provide input into the meeting. WR again voiced his objections to the present top-down model, as opposed to the official Government policy of having input from the bottom-up. Mr. Jacobs anticipated objections being raised concerning employee remuneration and explained that this is out of the hands of Municipalities but is laid down by a Central Body. GK proposed he would write a letter to TWK thanking them for Mr. Jacobs's professional presentation. Proposal accepted

6. **Reports from town representatives:** Owing to time constraints, these were to be brief.

6.1. Bot River: GM raised the problem of overgrown plots and letters to plot-owners, which frequently failed to elicit any response. He urged Mr. Jacobs to investigate the possibility of including mention of a fine in the final letter when there was non-compliance. Mr. Jacobs said that there was a 15% penalty clause, but it was felt that this was insufficient. GM and JvN again raised their objections to the supposed 'levy' paid in lieu of the 6kl of free water.

6.2. Caledon: GK was in continual contact with the Municipal Manager, Mr. Stan Wallace.

6.3. Greyton had already provided input through JvL under "Matters arising."

6.4. Riviersonderend: WR again raised the question of the date of pension payouts and the interest added to the Rates accounts of poor pensioners from the cut-off date until they received their pension payouts. Mr. Jacobs undertook to look into the matter.

6.5. Villiersdorp. Nothing to report.

7. **Any other matters:** PvM called for the establishment of a **Service-level agreement between TWK and the Ratepayers Forum**, relating to finance and other general concerns not affecting the local Town Managers. This would accomplish some of the annual points-rating of TWK. Mr. Jacobs undertook to look into the matter.

8. **Chairman and coordinator and date of next meeting.** Riviersonderend would chair the next meeting, to be held on Friday 2 June at the same venue.  
**Future meetings for 2011:** 5 August, 7 October, 2 December.

9. **Closure:** The Chairman closed the meeting at 13.00 and thanked all the participants.

## B6 – Greyton Residents & Ratepayers Organization (31 March 2011)

### B7 – Botrivier Ratepayers Association (22 March 2011)

Your comments and concerns were considered and discussed, we respond as follows to your comments:

The IDP, Budget Process and compiling of Council's Budget (including tariffs) is done in a manner which is transparent, participatory and well in line with the Constitution of South Africa, the Municipal Systems Act, Municipal Finance Management Act (MFMA), relevant Regulations and Government Guidelines.

#### **Compulsory Rainwater Tanks:**

We did a costing exercise on the purchase and installation of a 2 200 litre Rainwater Tank.

The best price we obtained for a Rainwater tank was R3, 499 including installation. So if we take in consideration the indigents (who will not be able to afford it) whom the municipality will have to subsidise, it would cost the municipality R27, 299, 000 (R3, 499 x 8000 indigents).

There is also no legislation that gives the municipality the authority to enforce the installation of rainwater tanks at their homes. Although we value your suggestion, unfortunately this would be impossible to implement.

### **Capital Per Town**

According to the Town Manager, Botrivers also received large capital funding in the previous two Financial Years. In the current Financial Year Botrivers has a Capital Budget of R4, 703,471.

Botrivers does not only have a R150, 000 capital budget. You should also take note of the R100, 000 capital expenditure on the quick wins project, the installation of prepaid water and electricity meters (this will be done in all towns) and minor capital items (inventory items e.g. equipment). Also note that Botrivers has a housing allocation of R5, 600, 000.

### **Basic Charge**

Please note that according to the criteria set by the municipality, pensioners also qualify as indigents. The definition of an indigent household is a household that earns less than two times the old age pension ( $R1160 \times 2 = 2320$ ). Therefore pensioners are not required to pay the basic charge.

### **Indigent Contribution**

Current government policy requires that the very poor be given access to a free basic level of service. Under this policy it is clearly important for the municipality to have clear guidance on the minimum technical standards and health and hygiene promotion standards that will satisfy the criteria provided in the definition provided for a basic level of service. Therefore we can not enforce a contribution of R10 upon indigent households. They can't afford it, and will only contribute to the already escalating debtors of the municipality.

In view of the above we hope that we have addressed all your comments and queries. We would like to thank you for your constructive input.

### **RECOMMENDATION**

- 1. That Council takes cognizance of the comments received from various stakeholders and that the comments by Management are accordingly communicated to them.**
- 2. Council is satisfied with the Budget allocations and Tariffs as recommended for approval in the Budget Item.**

## **Tariff Reduction Request by Opposition Party: Draft Budget Meeting**

At the Council Meeting of 03 March 2011 when the Draft Budget was tabled, the Opposition Party raised concerns about the Assessment Rates, Refuse Removal and Sewerage Tariffs and requested increases by only 4.5%.

### **Implication of Request to Increase Tariffs by 4.5%**

If the municipality increase the tariffs by 4.5% a cash deficit of R3,026,805 will be realised on the cash Budget. Different scenarios was considerate and a conclusion was reach that the municipality cannot afford to lower propose increases of tariffs as expenditure should then be decrease.

**The following Expenditure and Economic/Financial Indicators must be noted:**

- **Employee Related Cost and Councillor Remuneration** is set and cannot be decrease.  
CPI of 6% + 1.5% = 7.5% (Wage agreement) + 2% (Notch Increase) +2% (TASK) = 11.5%
- **Councillors' Remuneration** 10%
- **Bulk Purchases:** Set by Eskom/Electricity (26.71%) and Water Board (Proposed: 15%)
- **Fuel:** R9.18 (02 March 2011); R8.75 (02 Feb 2011) Increase of 5%
- **Capital Charges:** Decrease would mean a reduction in the Capital Program and with current backlogs it would have a negative impact on service delivery and development: **Impact of Loans** (Increase in 24% compared to 2010/2011) Interest and redemption on loans increased from R16, 010,696 to R19, 797,868. The new loan for 2011/2012 amounts to R21,285,121. The **Prime Interest rate** at present is 9% however risk to inflation outlook emanating from global commodity price increases has become more evident. These risks relate mainly to oil and food price developments and can cause the Repo Rate to increase.
- **CPI Headline February 2011** = 3,7%. From January 2011 to February 2011 the Consumer Price Index for all urban increased by 0,7%.

**Provision for Working Capital:** Is calculated conservatively at 5% to make provision for unpaid Rates and Consumer Service Debtors.

The current economic environment can have a negative financial impact on consumers' ability to pay their bills.

The Tsunami in the 3<sup>rd</sup> largest economy (Japan) can have a ripple effect on the South African Economy: this would have a negative impact on for example exports, imports, markets, growth in GDP and motor parts (Toyota, Nissan, Honda, etc.)

The Unrest in the North Africa Middle East can have an impact on further oil prices increases and can increase inflation that will decrease disposable Income caused by increases in food prices, Interest rates, basic commodities, etc. If the unrest in the Middle East and North Africa expand in Africa as seen in Tunisia, Egypt, and Libya it can mean that Citizens of that countries fleeing and can cause a further influx into South Africa where there are political stability.

**Contractor Services:** The Municipality is legally bound by contracts.

**General Expenses:** Fuel and Oil amounts to R2,773,600 and the current uprising in the middle east is already having an adverse effect on oil prices.

The uprising in Egypt had a domino-effect on the rest of the Arabic world. After Egypt it was Libya. Although Egypt is not a big contributor in exporting oil to the rest of the world it is an important link in the supply chain as the Suez Canal connects the Mediterranean and Red Sea. It is located in Egypt and it critical in the transportation of one million barrels of oil each day to Europe and other developed economies.

Libya is ranked in the top 20 oil exporters in the world. This will undoubtedly have a negative impact as can be seen in the recent increases in fuel prices and we all know the domino effect of increase in fuel prices.

The current situation in the Middle East could result in an insufficient Budget on fuel and oil and the expense might increase significantly.

**Repairs and Maintenance:** the Municipality's expenditure on Repairs and maintenance is already below the threshold. Cutting in this area may have serious repercussion for the Municipality.

Usually municipalities decrease expenditure on Repairs and Maintenance of assets and result in the decline or breakdown of assets (Example Sannieshof) which lead to a compromise in service delivery and leads to services not being sustainable and ultimately the municipality not being Financially Viable.

**Section 4.2 of the MFMA Circular 55 States the following norms for Repairs and Maintenance and the Municipality is below the set norms:**

- Table A8:Repairs and Maintenance/Capex – Norm: 40% : Currently TWK:Current R17,344/R50,463= 34%
- Table A9:Repairs and Maintenance/Asset Value – Norm 8%: R17,344/R315,110 = 6%
- Table A4:Repairs and Maintenance/OPEX – Norm 10%: R17,344/R291,540 = 6%

**Furthermore, Section 3 of the MFMA Circular 55 reads as follow:**

*"Given the upcoming elections (to take place on 18 May 2011) municipal councils may be tempted to prepare an 'election friendly budget' – with unrealistically low tariff increases and an over-ambitious capital expenditure programme. Such an approach will result in the budget being unfunded, which will place the financial sustainability of the municipality at risk and impact negatively on service delivery.*

**Conclusion:**

The Finance Department once more considered open-mindedly the request and came up with the above four scenarios of 5.9%, 5.5% and 4.5% increases which yielded deficits of R148,770, R1,306,433, R2,151,628 and R3,026,805, respectively.

In conclusion with all these uncertainties it would be unwise to decrease the set tariff increases as this might compromise the financial viability of the Municipality.

## Tariff Scenario Setting

<b>OPERATING INCOME &amp; EXPENDITURE BUDGET</b>					
<b>EXPENDITURE SUMMARY</b>	<b>2011/2012</b>	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>
	<b>Budget</b>				
Employee related costs	100,810,424	100,810,424	100,810,424	100,810,424	100,810,424
Councillors' Allowances	6,630,100	6,630,100	6,630,100	6,630,100	6,630,100
General Expenses:		-	-	-	-
<b>Sub Total</b>	<b>86,792,734</b>	<b>86,792,734</b>	<b>86,792,734</b>	<b>86,792,734</b>	<b>86,792,734</b>
Provision for Working Capital	4,033,606	4,033,606	4,033,606	4,033,606	4,033,606
Bulk Purchases	42,873,388	42,873,388	42,873,388	42,873,388	42,873,388
1. Repair & Maintenance:		-	-	-	-
<b>Sub Total</b>	<b>17,343,895</b>	<b>17,343,895</b>	<b>17,343,895</b>	<b>17,343,895</b>	<b>17,343,895</b>
Contractor Services	15,600,653	15,600,653	15,600,653	15,600,653	15,600,653
Capital Charges	14,303,253	14,303,253	14,303,253	14,303,253	14,303,253
<b>Net Operating Expenditure</b>	<b>288,388,053</b>	<b>288,388,053</b>	<b>288,388,053</b>	<b>288,388,053</b>	<b>288,388,053</b>
Capital Out of Revenue (Inventarisi)	2,211,772	2,211,772	2,211,772	2,211,772	2,211,772
Capital Out of Revenue (Quick wins)	940,000	940,000	940,000	940,000	940,000
1. Less: Depreciation	(23,119,539)	(23,119,539)	(23,119,539)	(23,119,539)	(23,119,539)
2. Add: Redemption on external loans	7,594,615	7,594,615	7,594,615	7,594,615	7,594,615
3. Less Remuneration Provisions	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)
<b>REVENUE SUMMARY</b>	<b>2011/2012</b>	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>
	<b>Budget</b>	<b>5.90%</b>	<b>5.50%</b>	<b>5%</b>	<b>4.5%</b>
Assessment Rates	-40,182,504	-39,076,391	-38,920,451	-39,576,951	-38,809,244
Services:		-	-	-	-
Electricity	-57,053,791	-57,053,791	-57,053,791	-57,053,791	-57,053,791
Water Sales	-37,689,995	-37,689,995	-37,689,995	-37,689,995	-37,689,995
Refuse Removal	-14,084,557	-14,299,894	-13,689,843	-13,955,901	-13,894,694
Sewerage	-14,797,360	-14,716,997	-14,325,326	-12,557,575	-12,511,310
<b>Sub Total</b>	<b>-123,625,703</b>	<b>-123,760,678</b>	<b>-122,758,955</b>	<b>-121,257,262</b>	<b>-121,149,790</b>
Traffic Fines	-5,058,300	-5,058,300	-5,058,300	-5,058,300	-5,058,300
Investment Interest / Penalties	-7,700,000	-7,700,000	-7,700,000	-7,700,000	-7,700,000
Licences & Permits	-62,760	-62,760	-62,760	-62,760	-62,760
Rentals	-1,533,910	-1,533,910	-1,533,910	-1,533,910	-1,533,910
Sundry / Other Income	-42,441,091	-42,441,091	-42,441,091	-42,441,091	-42,441,091
Grand in Aid:		-	-	-	-
Grants - Equitable Share	-46,935,000	-46,935,000	-46,935,000	-46,935,000	-46,935,000
Grants - Other Operating Purposes	-5,098,000	-5,098,000	-5,098,000	-5,098,000	-5,098,000
<b>Sub Total</b>	<b>-52,033,000</b>	<b>-52,033,000</b>	<b>-52,033,000</b>	<b>-52,033,000</b>	<b>-52,033,000</b>
	<b>Surplus</b>	<b>Deficit</b>	<b>Deficit</b>	<b>Deficit</b>	<b>Deficit</b>

18 March 2011

Good Morning Marco,

Here follows some of the queries and questions that I posed at our Ward meeting last night. Should no satisfactory answers be received before the 22<sup>nd</sup> March, then these questions will revert to grievances.

1. I see that only R300 000.00 has been allocated for the building of a Municipal store in RSE. This again is 0,4% of the budget, despite the fact that we were promised R800 000.00 (or 1%) would be allocated to RSE. This is little enough, but in reality we are receiving even less.

We held meetings in which we prioritized our needs. The Mountain Water Supply Line was determined to be *Priority 1* for the next 5 years. We were promised that a start would be made this year, even if it took 5 years to complete.

In my search of the budget, I could find no mention of this project. Please enlighten us (RSEBBV) as to the monies allocated for this project, as well as the date of commencement.

2. In the report of *Work Done*, it shows an amount of R5 887 332.00 was allocated to *Roads* and that the project was completed. The "remaining funds" was transferred to Botrivier WWTP. The report also states that roads in Genadendal and Greyton need attention.

For which projects were the original monies allocated ? Why were "Roads" funds transferred, when there is a great need for work still to be done? Why are only Genadendal and Greyton mentioned in the report, when it has taken 3 years to partially tar one road in Riviersonderend and residents are busy negotiating potholes in the rest of the town?

3. In the Operation Plan Ward 1:  
Capital Budget Water:

The amount of R16 590 960 is allocated for the upgrading of the Raw Water supply 2010/2011.

What has been planned and what is the timetable for this work?

Will this project also take care of the aluminum present in the water?

Lastly, will this project also address the dubious sewage water which is returned to the river?

4. The report also states, that the Technical Staff lack the skills to properly manage their plants, they lack the understanding.  
When and how will this serious problem be addressed.

5. The report shows that the indigent families in RSE have increased by 73 in the last 6 months. It goes further and states that *Squatter Control* must be more effective. The cost for indigent households varies between

R18 000 000 and R24 000 000 per year, depending on where you read in the report.

How many of these 73 households are *historic residents* of Rivieronderend and how many are squatters from *outside* RSE?

What does TWK do about squatters? More specifically, what does RSE do about our very serious and expensive problem?

What progress has been made in connection with the erection of the shack, which I reported to you 3 weeks ago?

6. Why is it necessary to remove paragraph 15.3 from the books?

How much money will be written off should this paragraph be removed?

7. We see that, once again, no money has been allocated for housing in RSE this year. Councilor Kiro Tiemie, at the meeting last night, spoke of a project of 300 houses which is in progress at present. Why is this not reflected in the Budget (or is this merely "Election Promises")?

For the past 3 years, the Ratepayers of RSE have been asking TWK for the Budget to be reflected in Wards or Towns. This would enable us to effectively judge the progress of the Municipality. Last year, we ascertained, via the National Ratepayers, that the Minister of Finance, proclaimed Ordinance 393 of 2009, date 17 April 2009, which compels all municipalities to supply all information in Wards. We notified TWK of this last year, but in all fairness and because of looming deadlines, we let it pass at that time. TWK has been aware of this proclamation since last year and we now insist on all information being given in Wards, as per proclamation. If this, once again, cannot be done, we will write the Minister of Finance and enquire of him why TWK is unable to comply with his ordinance.

Yours sincerely,  
Clive Sandenbergh  
(RSEBBV Representative)

4 April 2011 (10:17)

Dear Mr. Jacobs,

A few questions concerning the Budget, before we can give a meaningful contribution.

1. What percentage was used *for each town* in the allocation of the TWK shared expenses?
2. If this is the full extent of the expenditure of the Budget – Where does the money for the Capital items come from eg. R300 000 for Store; R400 000 for Dirt truck; R217 000 for small capital projects?
3. We *insist* that the mountain water pipeline be addressed, as it went through the Ward Committee and was determined to be Priority 1 for the whole community. We were promised that a start would be made this year, if it were listed as a priority. Although the pipeline is functioning at the moment, it is in a delicate state and any major ruption would result in us having to use the river water, which is undesirable. All these points were discussed in the Ward Committee meeting and consensus was reached. If TWK cannot see its way clear to fund this project above the existing ones, consideration to *scrapping the Dirt truck and even the Municipal store* until the pipeline project has been completed. We strongly recommend that a start be made this year, before we sit with a health problem and water shortage in this town.

Please find attached the Town Budget figures with some queries on the attached sheet.

We would appreciate a speedy reply as we still need to consider all your responses before we can make our final informed comment – With the deadline as end of workday today.

4. Could you please indicate re the list supplied on Friday at the Forum meeting:- Which are RSE expenditures only and which are shared with TWK.
5. Line item 5220: Heffing nie ontvang R242,016 – is this money that has been written off? Please elaborate.
6. Line item 5560: TV herlaaistasie – Where is this station? Who does it service?
7. Line item 5852: Caledon stortingsterrein – Does RSE make use of this facility?
8. Line item 5853: Verwyde T'dal en M'ton – Please elaborate.
9. Line item 6040: Aansluitings nut – Who benefited from this? Where is it?
10. Line item 6240: Bediening van dagvaaring – Who does this work? Where is this work done?
11. Line item 6575: Fulltime Shopsteward – Who and where?

12. Line item 6740: SABS inspektoraatfooi- Wat en waar word daar geinspekteer?
13. Line item 6965: Financial viability – Please elaborate.
14. Line item 7044: CIS – what is it? Is it an acronym? Please elaborate.

We require this information before we can make a meaningful and informed contribution.

Acting Chairman RSERA: Weem Rosenstrauch

18 March 2011

**FOR ATTENTION: Mr Chris Punt, Mr Stan Wallace and Mr Stephen Jacobs**  
This is the promised letter, after the Mayor's telephonic conversation with  
mr Weem Rosenstrauch, Chairman: RSE Ratepayers Association.

It is with sincere regret that we find it necessary to write this letter, which we will also forward to Dr Pierre Rabie and Helen Zille (after 5 working days) for their attention.

After two years of communicating with TWK about the payment of the accounts on the 25<sup>th</sup> of the month and the fines for late payment, we have made no progress.

A large proportion of the residents of TWK is already battling financially and only receives their pensions or salaries on the last day of the month. The residents would like to support TWK and pay for services received, as 95% already do. At present, the law-abiding residents are fined for paying their accounts at the end of the month, as the result of a situation over which they have no control.

**Our proposal is as follows:**

Read the meters on the 15<sup>th</sup> of the month, instead of the end of the month. See that the residents receive their accounts by the 25<sup>th</sup> of the month, payable on the first working day of the next month. This simple arrangement would solve all problems for everyone.

In closing, I would like to remind the mayor of his quote, which he used to close his presentation of his draft Budget.

*"Some men want to find thousands of reasons why they cannot do what they want to, when all they need is one reason why they can."*

We respectfully requests that TWK reads our letter with great care and consideration and considers our request very seriously, before this matter escalates any further. We trust that this matter will receive your urgent attention.

If this matter cannot be rectified by the present administration, maybe it is time that we vote for a Party who will be prepared to listen to its constituents.

As time is of the essence, it is important that we receive your answer promptly. Should we not receive a satisfactory answer within the next FIVE working days, we will have no other option but to encourage all residents of TWK to support an alternative Party. Furthermore, we will also make all our communication with TWK, concerning this matter, open to the Press.

Riversonderend Ratepayers Association.

**MEETING OF THE TWK RATEPAYER'S FORUM HELD AT GRACE GUESTHOUSE,  
CALEDON, AT 10.00 on 1<sup>st</sup> April 2011**

1. **Present:** Gerald McCann (GM) Bot River, (Chairman); Johan van Nickerk (JvN), Bot River; Gert Kogelberg (GK) Caledon, Leo Pompe van Meerdevoort, Villiersdorp (PvM); Jenny Pierd, Villiersdorp; Joe van Lierde (GvL), Greyton, Weem Rosenstrauch (WR) and Clive Sanderberg, Riviersonderend.  
Mr. Jacobs, Director of Finances, TWK, and Joana Dibden, TWK Tourism and Development, were welcomed as guests to the meeting.
2. **Apologies:** Jenny Duncan (Greyton) and Jan Barnard (TWK)
3. **Opening and welcome:** The Chairman welcomed all present, especially Mr. Jacobs.
4. **Minutes of the meeting held on 4 February 2011** had been electronically circulated and were taken as read. Proposed, WR and seconded LvM.
5. **Matters arising:**
  - 5.1. Net metering of electricity. GK explained the concept of Net metering as a means of reducing electricity consumption by using alternative means and earning 'Carbon credits' for the country. TWK is actively exploring and promoting the concept, as it is closely related to industrial development. TWK hopes to finalise the Net metering policy for the area by the end of the year. He handed out a CD to each attending member for further study. Joanna Dibden said that TWK is looking at the use of sustainable wind-power and is presently negotiating with Escom. WR emphasised that 'local' does make a difference, (every house has an alternative energy source.)
  - 5.2. Local Industrial Development: Joanna Dibden explained what the object of the LED was to local environmental and business prospects. TWK envisaged partnerships to improve the economic environment. And tourism, as well as residential growth in the satellite towns. TWK is looking at Light Industrial Development to be in place by 2020, with a community strategy and action plans in place.
  - 5.3. Rebates for development in the area: A strategy is in place to accommodate pensioners. JvN stressed the importance of introducing sliding scales for the payment of rates and services. Farmers rates also needed ongoing investigation, as their labour and transport use TWK roads and facilities. Mr. Jacobs undertook to look into possible sliding scales, but emphasised the need of additional staff to implement such scales without additional income.
  - 5.4. Mr. Jacobs then addressed the meeting on the LED and handed out a document summarising the draft budget, which he discussed in detail. He mentioned market strategies on use and supply and also spoke about trying to reduce indigent subsidies.
  - 5.5. Development of a Website: GK is working on a Website, using the Hermanus model. He will circulate his proposals to members via E-mail.
  - 5.6. Standardisation of Constitution: GK said that we need to find a Ratepayers Forum that already has a Constitution and use this as a model. He had such a model available and would circulate it to members.
  - 5.7. Input into the draft budget: **WR was adamant that the lack of community consultation in drawing up the budget proposals was unconstitutional.** He had handed over a document to a legal representative for input, and circulated his letter of objections to TWK to the Forum members. Members were all in agreement that the input at Ward Committee level was not acceptable and that answers to questions were not forthcoming. Mr. Jacobs said that the date for submitting objections to the Budget Proposals would be extended to Monday 4<sup>th</sup> April. He said that community consultation was bypassed as the budget must be presented to Council before the Municipal elections.
  - 5.8. Mr. Jacobs was presented with a further opportunity to provide input into the meeting. WR again voiced his objections to the present top-down model, as opposed to the official Government policy of having input from the bottom-up. Mr. Jacobs anticipated objections being raised concerning employee remuneration and explained that this is out of the hands of

Municipalities but is laid down by a Central Body.

GK proposed he would write a letter to TWK thanking them for Mr. Jacobs's professional presentation. Proposal accepted

6. **Reports from town representatives:** Owing to time constraints, these were to be brief.
  - 6.1. Bot River: GM raised the problem of overgrown plots and letters to plot-owners, which frequently failed to elicit any response. He urged Mr. Jacobs to investigate the possibility of including mention of a fine in the final letter when there was non-compliance. Mr. Jacobs said that there was a 15% penalty clause, but it was felt that this was insufficient. GM and JvN again raised their objections to the supposed 'levy' paid in lieu of the 6kl of free water.
  - 6.2. Caledon: GK was in continual contact with the Municipal Manager, Mr. Stan Wallace.
  - 6.3. Greyton had already provided input through JvL under "Matters arising."
  - 6.4. Riviersonderend: WR again raised the question of the date of pension payouts and the interest added to the Rates accounts of poor pensioners from the cut-off date until they received their pension payouts. Mr. Jacobs undertook to look into the matter.
  - 6.5. Villiersdorp. Nothing to report.
7. **Any other matters:** PvM called for the establishment of a **Service-level agreement between TWK and the Ratepayers Forum**, relating to finance and other general concerns not affecting the local Town Managers. This would accomplish some of the annual points-rating of TWK. Mr. Jacobs undertook to look into the matter.
8. **Chairman and coordinator and date of next meeting.** Riviersonderend would chair the next meeting, to be held on Friday 2 June at the same venue.  
**Future meetings for 2011:** 5 August, 7 October, 2 December.
9. **Closure:** The Chairman closed the meeting at 13.00 and thanked all the participants.



## **Greyton Ratepayers and Residents Organisation**

31 March 2011

Mr Jan Barnard

Director: Operations

Theewaterkloof Municipality

Dear Jan

### **TWKM Budget 2011-12**

I am writing to present GRRO's views on the above document.

Our starting point is to endorse the comments expressed by the TWK Ratepayers Forum, of which GRRO is a member, in its letter to you of 22 March. We are unhappy that there has been no process for presenting (which necessarily includes explaining) the budget to the towns that make up TWK, and also that there has been so little time given for responses to the document. As a consequence, we feel less able than we would like in order to make well-informed and comprehensive comments. We trust that the process in future years will be far more consultative and will also allow more time.

We note, however, with respect to capital allocations that:

- There is provision for the first phase of the Scholtz River flood mitigation project, despite assurances made to us by TWKM that the project would not be implemented "at this time". You are also aware that GRRO feels that the particular scheme proposed for implementation is flawed in both design and operational terms
- There is provision for the sewer link to Genadendal. GRRO is strongly supportive of this, but understands that the project is far from being approved not least because of strong objections by certain constituencies.

Beyond these points, and taking into account our opening remarks, we have little to offer other than to emphasise our wish to become far more involved in the future in determining local priorities and in influencing expenditure allocations. To this end, we keenly await commencement of the local SLA process so that the top priorities can be identified, the budgetary implications assessed and the resulting projects/actions effectively implemented.

Yours sincerely

*Nick Segal*

NS Segal

**BOTRIVIER BELASTINGBETALERSVERENIGING  
BOT RIVER RATEPAYERS ASSOCIATION**  
POBOX 624 BOTRIVIER 7185  
TEL:028 284 9878

Mr S.N. Jacobs  
Director: Financial Services  
T.W.K.  
CALEDON

cc. Mrs T Rossouw  
Town Manager  
BOTRIVIER/CALEDON

22 March 2011

Dear Sir

**DRAFT BUDGET 2011/2012**

**1.** In his address, the Mayor made an appeal to the councillors and the community to save water wherever possible. To this we all agree and would therefore like to propose the following:

Make it compulsory for every home to install a tank to catch the rainwater from the roof. Millions of litres of water run off and are wasted every rainy season. This could be a huge saving for the owner and allow him/her to not only have a garden but also grow his/her own vegetables, while saving litres of Municipal water. It could surely not be so costly to have an architect incorporate a rainwater tank into the design of a house?

**2 Capital per town**

It is noted, with surprise, that an amount of R150,000 only, has been allocated for Botrivier for 2011/2012. Surely this must be an error!

**3 Resolutions**

Item 11 refers. We believe in the policy of live and let live. However, the Basic Charge of R61,22 plus VAT per month is a heavy burden on government pensioners and people living on their small investments. In the present economic situation it is not only the indigents who are battling to survive.

According to the Mayor's speech, there are about 8,000 indigents in the T.W.K.

**4.** If every such person should contribute only R10,00 per month towards Municipal services, would that not ease the burden and provide more money for such dire needs as streets and drainage etcetera?

Yours faithfully



Johan van Niekerk  
BOTRIVIER RATEPAYERS ASSOCIATION

**COMMENTS ON DRAFT 2011/12 IDP****1. STATISTICAL DATA**

One of the most important factors is the number of residential persons per household. It relates the costs and value of all property-based municipal services. Various sources in the IDP were used to quantify this factor:

***Population:***

TWK's population figures presented in the IDP for 2009/10 are about 107,000. However, the Quantec survey of 2007 (p19) shows a total of 106,172 even though the figures for the Wards in the table add up to 134,716 – obviously a major error somewhere. Quantec have confirmed that their 2007 data had been derived from the out-dated Statistics SA date for 2001.

The tables on (p19-20) show the data for Ward 2:

	<u>No of households</u>	<u>Population</u>	<u>Persons/household</u>
TWK Municipality	22056	106,172	4.8
Genadendal, Voorst..., Berea	2163	<b>4697</b>	<b>2.2</b>
Boschmanskloof	172	892	5.2
Greyton incl Heuwelkroon	1904	<b>1108</b>	<b>0.6</b>

The figures in Bold are considered too low, by a considerable amount.

***No. of Households:***

Data (p43-44) is for No of municipal households *with access to free basic services 2009/10:*

<u>Non-indigent total</u>	<u>22056</u>	<u>Indigent total</u>	<u>6420</u>
Piped water	13343	Indigents	5911
Electricity	2401	Indigents	508
Sanitation	12008	Indigents	5911
Refuse	13963	Indigents	5911

The total number of households does not agree previous figure, and the backlog must be errors.

Data (p44-52) shows No of households receiving *municipal service deliveries 2009/10:*

Piped water	34469	
Public tap	2916	
Sanitation	39504	sewage connection and conservancy/septic tanks
Electricity	5249	Caledon, V-dorp, Rivier-end, Greyton only; balance by Eskom.
Refuse	<b>no data</b>	

Again, figures do not agree, and all data on Refuse is missing.

The questions that need to be answered are not whether the data should be regarded as definitive, but if the data has any value at all and, if actually used to generate conclusions that are acted on, whether the risks of misrepresentation are too high.

**The above data, as it has been presented, should not be utilised for housing policies, tariff calculations, Service Level Agreements etc without verification after the next Census.**

## 2. WARD 2 COMMUNITY NEEDS ANALYSIS (SECTION 2)

This section is stated to be the "top priorities as determined by the Ward Committees in consultation with their communities".

*Issue 1: No job opportunities:*

The recent employment of a local team to clear aliens and rubbish from along the Scholtz River is super news if it is sustained, but the previous dubious contract with a Grabouw firm to clear aliens and reduce fire risks along the Krige Road which has included felling of mature pine trees for timber should never happen again.

*Issue 2: Slow delivery of houses:*

Said to be Province's responsibility, yet surely should be motivated by TWK. What resources of people and budget are available at TWK, where is the Public Housing Plan and what basic data has been used? How do the needs for RDP Housing relate to the lack of availability of GAP Housing?

*Issue 3: Alcohol and Drug Abuse:*

Said to be Education Dept's responsibility, but both Police and TWK (through implementation of proper By-laws) are involved. Community Police Forum not mentioned, nor the Red Cross.

*Development Strategies*

Weaknesses listed are job seasonality, poverty, low incomes, small commercial services(?), storm water/flooding infrastructure and lack of recycling.

The opportunities said to be cultural tourism (specifically the Mission Centre) and Gap housing.

**Priorities**

2011/12 2012/13 2013/14 2014/15 2015/16 TWK priority

Tourism-related job creation	1				1
Youth development programmes	1				2
Improve clinic & ambulance service		1			None
Boschmanskloof bridges(?)			1		None
Finalise land transformation process				1	None
Unknown (?)	2				?
More 'quick win' money R250,000	2				1
Flood river model, Genadendal		2			5
Flood mitigation work		2			Unfunded?
Day Care hospital			2		None
Implementation of recycling projects				2	1
Low cost housing incl GAP	3				2
Safety, crime, law enforcement	3				2
Improve disaster management		3			Unfinished
More street lighting, Gen, Berea etc			3		None
Land for Churches				3	4
Sports fields upgrade & maintenance	4				1 or 4?
Eradication of septic tank system	4				2
Alien vegetation, fire prevention		4			1
Unknown (?)			4		?
Land for Cemeteries					4
House restoration	5				None
Streets & Storm water maintenance		5			1

Many of the above projects are lumped together as groups, priorities have been changed, some in the actual budget are not listed above, and some of above with high Ward priority have been downgraded or disappeared.

There is no differentiation between necessary projects, such as street or storm water maintenance, and those with less need, nor between those with high individual value (eg Scholtz flood mitigation) and those with low total value or which can be separated into annual or other low cost phases (eg job creation, maintenance).

As suggested before, all projects (outside the normal running and maintenance operations) should be separately identifiable, fully detailed and costed, listed every year till completed with degree of progress each year, to which every year's new projects can be added.

### **3. TURN-AROUND STRATEGY**

#### ***Agriculture***

As there are no known agriculturalists or similar specialists in the Municipality, somewhat more credibility would be given to any policies or plans for this hugely important sector if the results of discussion etc with recognised authorities, including the Dept of Agriculture etc, were published. Just to retain the existing 75% Rates discounts for bone fide farmers is not enough.

#### ***Tourism***

There seems to be a high degree of mixed thinking at TWK leading to different policies and decisions cancelling each other out in terms of net effect:

Greyton's status as a tourist destination is enhanced by the Overberg Meander, various competitive and fun cycling events, various music and other festivals etc at the same time as the quality and quantity of local services and products is allowed to decrease. The village itself also seems to have become less attractive, compared with some competitive destinations. The main problem of seasonality, that is very few tourists and other visitors mid-week, should not be ignored any longer. The ratio between self-catering, where food etc is mostly brought in with the visitors, and full Guest house service needs to be assessed, together with the total lack of business incentive for such operations to grow over the 3-bedroom level and the penalties imposed on Guest Houses and Hotels.

The policy for Greyton/Genadendal to become a centre for extended stays, allowing attractions like Hermanus, Swellendam, Route 62 etc to be accessed direct, may need an improvement in some of the local roads and the development of scenic routes with their associated attractions – this will be seriously jeopardised if the authorities permit Wind Farms along these routes.

#### ***Light Industry***

Yet again, certain strange proposals concerning Light Industry, advocated initially in the Structure Plan (2000) and repeated in the SDF (2005), have appeared for an indeterminate number of light industrial units and access road, parking etc very near to the Country Village. The original plan was to develop 16 or so units SSW of the CV, although one early plan (March 2006) showed even 1446-1451, already laid out and surveyed. There is now no Light Industrial Zoning, so the units would be re-zoned Industrial I. The proximity to the CV is problematic in terms of noise disturbance, visual impact, traffic, noxious fumes etc.

However, there is no known need for such industry in Greyton, and, subject to 1:100 year lines, this area should be considered for prime low density residential development. If a need is found, then premises nearer to Heuwelkroon would be preferable.

#### ***Human Capital***

The statements all sound very nice, but exactly what understanding has TWK got of the quality of teaching in the municipal area, the availability of basic equipment and books, the relevance of

subject matter to local employment opportunities, the capabilities and responsibilities of the school Governors etc?

#### **Sustainable Energy and Waste Services**

There does not appear to be any policy or plan to develop the use of smart meters etc for control of conventional geysers, ovens etc, to reduce both baseline and peak electricity usage. Recycling that was due to be started as a test project over 2 years ago never happened and an existing Genadendal-based entrepreneurial recycling operation employing about 20 persons was terminated by TWK last year, with still no sign of any progress.

On the other hand, waste transfer stations are being built with no acknowledgement of considerable volume reductions possible with full recycling. Included is the grossly inefficient trucking of all waste about 60 kilometres to Karwyderskral. The new one for Greyton/Genadendal, for which there are no plans yet in the public domain, is budgeted at R2.11 million, but is now recorded as 'cancelled' in the IDP (p52). Presumably the existing Greyton dump will be reused – illegally, unfenced, and unattended, with the unofficial burning of toxic material to suit the scavengers.

#### **Financial Viability**

Following the year 2009/10 designated as the TWK Year of Financial Viability, there is still a very obvious underlying tendency to apportion reasons for TWK's apparent failure to fund a proper maintenance schedule, upgrade many areas of the infrastructure, and effectively carry out a range of community functions – all the items listed in **40 pages** of Section 2.6 of the IDP. Certainly the validity of some projects could be questioned, for example those considered 'want' rather than 'need' related. The rest are surely genuine requirements of the communities or are needed for the proper management of the municipal assets.

The dependence of TWK on municipal growth over and above the normal expectation, from tourism for example, seems highly risky unless other factors are resolved as well – firstly, the growth of populations that are non-tax paying and use free services, and secondly, reduced financial or service support from Government Departments.

TWK might actually benefit from the communities' support, so it is surprising to see a policy adopted for 'Managing expectations **down** to a realistic, affordable and reasonable level'.

#### **Projects Affecting Ward 2**

Several	Tourism-	Good to see some useful expenditure on marketing etc.
SD 3.1	Law Enforcement	Belated update of By-laws. More Officers.
SD 4.1	HIV/Aids/crime/drugs	R30000 for all TWK is disgraceful.
GG 1.1	Ward Committee costs	R220000 all TWK; maybe more would improve results.
LED 1.1&2	SMME support	R60000 all TWK: what possible individual value?
SD 2.4	Play parks for Ward 2	Excellent, if adequately protected from vandalism.

The major capital projects for Greyton, the link sewer, the Scholtz flood mitigation, the water treatment upgrade and the piped sewer system are identified, with phased costs and construction times, yet both the Link Sewer and the Refuse Transfer centre have been, not postponed, but cancelled according to the IDP, the reason being given that the community has "objections".

## **4. INFRASTRUCTURE AND SERVICES**

#### **Water**

Details are inaccurate and confusing. The Plattekloof and Nieupoort Rivers are utilised for irrigation. The Gobos bore hole may well be an emergency source for Greyton's potable supply in the event of failure of the new Gobos River supply system, but has been reported by TWK as so out of specification that purification costs would be prohibitive.

Because of the huge investment in the new Gobos supply, and the belief that its flow rate should be higher and more sustainable than available from the previous upstream weir, as the collection area



is now on the river bed, it is assumed that bulk flow records are being maintained. These will allow regular monitoring of any flow changes, which should be related to catchment rainfall records. Water losses through the reticulation systems are also not shown – these relate to maintenance costs, which are also not quantified.

### **Flood Mitigation**

The IDP contains budget items for the phased Scholtz River measures (R3 million in 2011/12, R5.6 million in 2013/14), which presumes the balance of available funds is allocated to part of phase 1 due to start before the end of 2010/11. There is no discussion of the current status and the underlying issues with Environmental approval and acceptance by Greyton residents.

There are also a number of uncompleted projects that were authorised for mitigation work on the Gobos River:

- Inadequate completion of the Berg Street flood wall, with large gap by the lei water works.
- Diversion channel SE of the Riviersonderend road bridge.
- Additional protective work down the Gobos River, dependent on the above diversion.
- Protection of the Von Solms properties, east of the river.

There is no mention of these in the IDP.

### **5. SPATIAL DEVELOPMENT FRAMEWORK**

The IDP states that the SDF will be finalised and implemented. However, we have not even seen the final version of Volume 1 the Status Quo report, which we scrutinised and reported on at great length in August 2009 – a large part of this report was not considered compatible with the wishes of Greyton, nor the avowed main policies stated by TWK for the development of Greyton.

**The Volume 2 report contained very much as expected with most of our comments ignored. We were not permitted any discussion with either the Consultants or TWK Planning Officers. There was absolutely no public 'consultation' or 'participation' whatsoever.**

In Chapter 7, it is stated that the SDF is approved, but is being revised, and will be completed at the end of 2011. How can it be approved before the final draft is made public?

### **6. SECTOR PLANS**

The following sector plans are listed in the IDP, but have not been made available to the public:

Water Services Dev Plan	adopted by full Council
Water and Sanitation Master Plan	2008/09 plan will be adopted by end March 2009
Waste Management Plan	none? Yet capital investment going ahead
Storm Water Master Plan	completed
Disaster Management Plan	final phase? No public participation?
Housing Plan	approved

We ask if it is proper and right for these reports and plans, which are important to the residents, not to be made available to the public for comment, interest or even accolade?

Brian McMahon  
Greyton resident.



## **Tariff Reduction Request by Opposition Party: Draft Budget Meeting**

At the Council Meeting of 03 March 2011 when the Draft Budget was tabled, the Opposition Party raised concerns about the Assessment Rates, Refuse Removal and Sewerage Tariffs and requested increases by only 4.5%.

### **Implication of Request to Increase Tariffs by 4.5%**

If the municipality increase the tariffs by 4.5% a cash deficit of R3,026,805 will be realised on the cash Budget. Different scenarios was considerate and a conclusion was reach that the municipality cannot afford to lower propose increases of tariffs as expenditure should then be decrease.

**The following Expenditure and Economic/Financial Indicators must be noted:**

- **Employee Related Cost and Councillor Remuneration** is set and cannot be decrease.  
CPI of 6% + 1.5% = 7.5% (Wage agreement) + 2% (Notch Increase) +2% (TASK) = 11.5%
- **Councillors' Remuneration** 10%
- **Bulk Purchases:** Set by Eskom/Electricity (26.71%) and Water Board (Proposed: 15%)
- **Fuel:** R9.18 (02 March 2011); R8.75 (02 Feb 2011) Increase of 5%
- **Capital Charges:** Decrease would mean a reduction in the Capital Program and with current backlogs it would have a negative impact on service delivery and development: **Impact of Loans** (Increase in 24% compared to 2010/2011) Interest and redemption on loans increased from R16,010,696 to R19,797,868. The new loan for 2011/2012 amounts to R21,285,121. The **Prime Interest rate** at present is 9% however risk to inflation outlook emanating from global commodity price increases has become more evident. These risks relate mainly to oil and food price developments and can cause the **Repo Rate** to increase.
- **CPI Headline February 2011** = 3,7%. From January 2011 to February 2011 the Consumer Price Index for all urban increased by 0,7%.

**Provision for Working Capital:** Is calculated conservatively at 5% to make provision for unpaid Rates and Consumer Service Debtors.

The current economic environment can have a negative financial impact on consumers' ability to pay their bills.

The Tsunami in the 3<sup>rd</sup> largest economy (Japan) can have a ripple effect on the South African Economy: this would have a negative impact on for example exports, imports, markets, growth in GDP and motor parts (Toyota, Nissan, Honda, etc.)

The Unrest in the North Africa Middle East can have an impact on further oil prices increases and can increase inflation that will decrease disposable Income caused by increases in food prices, Interest rates, basic commodities, etc. If the unrest in the Middle East and North Africa expand in Africa as seen in Tunisia, Egypt, and Libya it can mean that Citizens of that countries fleeing and can cause a further influx into South Africa where there are political stability.

**Contractor Services:** The Municipality is legally bound by contracts.

**General Expenses:** Fuel and Oil amounts to R2,773,600 and the current uprising in the middle east is already having an adverse effect on oil prices.

The uprising in Egypt had a domino-effect on the rest of the Arabic world. After Egypt it was Libya. Although Egypt is not a big contributor in exporting oil to the rest of the world it is an important link in the supply chain as the Suez Canal connects the Mediterranean and Red Sea. It is located in Egypt and it critical in the transportation of one million barrels of oil each day to Europe and other developed economies.

Libya is ranked in the top 20 oil exporters in the world. This will undoubtedly have a negative impact as can be seen in the recent increases in fuel prices and we all know the domino effect of increase in fuel prices.

The current situation in the Middle East could result in an insufficient Budget on fuel and oil and the expense might increase significantly.

**Repairs and Maintenance:** the Municipality's expenditure on Repairs and maintenance is already below the threshold. Cutting in this area may have serious repercussion for the Municipality.

Usually municipalities decrease expenditure on Repairs and Maintenance of assets and result in the decline or breakdown of assets (Example Sannieshof) which lead to a compromise in service delivery and leads to services not being sustainable and ultimately the municipality not being Financially Viable.

**Section 4.2 of the MFMA Circular 55 States the following norms for Repairs and Maintenance and the Municipality is below the set norms:**

- **Table A8:Repairs and Maintenance/Capex** – Norm: 40% : Currently TWK:Current R17,344/R50,463= 34%
- **Table A9:Repairs and Maintenance/Asset Value** – Norm 8%: R17,344/R315,110 = 6%
- **Table A4:Repairs and Maintenance/OPEX** – Norm 10%: R17,344/R291,540 = 6%

Furthermore, Section 3 of the MFMA Circular 55 reads as follow:

*"Given the upcoming elections (to take place on 18 May 2011) municipal councils may be tempted to prepare an 'election friendly budget' – with unrealistically low tariff increases and an over-ambitious capital expenditure programme. Such an approach will result in the budget being unfunded, which will place the financial sustainability of the municipality at risk and impact negatively on service delivery.*

**Conclusion:**

The Finance Department once more considered open-mindedly the request and came up with the above four scenarios of 5.9%, 5.5% and 4.5% increases which yielded deficits of R148,770, R1,306,433, R2,151,628 and R3,026,805, respectively.

In conclusion with all these uncertainties it would be unwise to decrease the set tariff increases as this might compromise the financial viability of the Municipality.

# Tariff Scenario Setting

C1

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OPERATING INCOME & EXPENDITURE BUDGET					
EXPENDITURE SUMMARY	2011/2012	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Budget				
Employee related costs	100,810,424	100,810,424	100,810,424	100,810,424	100,810,424
Councillors' Allowances	6,630,100	6,630,100	6,630,100	6,630,100	6,630,100
<b>General Expenses:</b>					
<b>Sub Total</b>	<b>86,792,734</b>	<b>86,792,734</b>	<b>86,792,734</b>	<b>86,792,734</b>	<b>86,792,734</b>
Provision for Working Capital	4,033,606	4,033,606	4,033,606	4,033,606	4,033,606
Bulk Purchases	42,873,388	42,873,388	42,873,388	42,873,388	42,873,388
<b>1. Repair &amp; Maintenance:</b>					
<b>Sub Total</b>	<b>17,343,895</b>	<b>17,343,895</b>	<b>17,343,895</b>	<b>17,343,895</b>	<b>17,343,895</b>
Contractor Services	15,600,653	15,600,653	15,600,653	15,600,653	15,600,653
Capital Charges	14,303,253	14,303,253	14,303,253	14,303,253	14,303,253
<b>Net Operating Expenditure</b>	<b>288,388,053</b>	<b>288,388,053</b>	<b>288,388,053</b>	<b>288,388,053</b>	<b>288,388,053</b>
Capital Out of Revenue (Inventory)	2,211,772	2,211,772	2,211,772	2,211,772	2,211,772
Capital Out of Revenue (Quick wins)	940,000	940,000	940,000	940,000	940,000
1. Less: Depreciation	(23,119,539)	(23,119,539)	(23,119,539)	(23,119,539)	(23,119,539)
2. Add: Redemption on external loans	7,594,615	7,594,615	7,594,615	7,594,615	7,594,615
3. Less Remuneration Provisions	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)	(4,200,000)
REVENUE SUMMARY					
REVENUE SUMMARY	2011/2012	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	Budget	5.90%	5.50%	5%	4.5%
Assessment Rates	-40,182,504	-39,076,391	-38,920,451	-39,576,951	-38,809,244
<b>Services:</b>					
Electricity	-57,053,791	-57,053,791	-57,053,791	-57,053,791	-57,053,791
Water Sales	-37,689,995	-37,689,995	-37,689,995	-37,689,995	-37,689,995
Refuse Removal	-14,084,557	-14,299,894	-13,689,843	-13,955,903	-13,894,694
Sewerage	-14,797,360	-14,716,997	-14,325,326	-12,557,575	-12,511,310
<b>Sub Total</b>	<b>-123,625,703</b>	<b>-123,760,678</b>	<b>-122,758,955</b>	<b>-121,257,262</b>	<b>-121,149,790</b>
Traffic Fines	-5,058,300	-5,058,300	-5,058,300	-5,058,300	-5,058,300
Investment Interest / Penalties	-7,700,000	-7,700,000	-7,700,000	-7,700,000	-7,700,000
Licences & Permits	-62,760	-62,760	-62,760	-62,760	-62,760
Rentals	-1,533,910	-1,533,910	-1,533,910	-1,533,910	-1,533,910
Sundry / Other Income	-42,441,091	-42,441,091	-42,441,091	-42,441,091	-42,441,091
<b>Grand In Aid:</b>					
Grants - Equitable Share	-46,935,000	-46,935,000	-46,935,000	-46,935,000	-46,935,000
Grants - Other Operating Purposes	-5,098,000	-5,098,000	-5,098,000	-5,098,000	-5,098,000
<b>Sub Total</b>	<b>-52,033,000</b>	<b>-52,033,000</b>	<b>-52,033,000</b>	<b>-52,033,000</b>	<b>-52,033,000</b>
	<b>Surplus</b>	<b>Deficit</b>	<b>Deficit</b>	<b>Deficit</b>	<b>Deficit</b>



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# Theewaterskloof Municipality

Theewaterskloof Municipality Head Office  
6 Plein Street  
□ P.O.Box 24  
□ Caledon  
7230  
Telephone: +27 (28) 2143300  
□ Fax: +27 (28) 2141289  
Website: [www.twk.org.za](http://www.twk.org.za)

Contact: V. Arendse

Date: 31 March 2011

Attention: Mr. C. Sandenbergh

Riviersonderend Ratepayers Association

PO Box

Riviersonderend

7250

## RESPONSE TO QUERIES ON IDP/ BUDGET 2011/2012 (WARD COMMITTEE MEETING)

We acknowledge receipt of your letter dated 18 March 2011 and thank you for your comments and questions.

Our response to your questions is as follows:

1. The R300, 000 is not the only amount allocated for Riviersonderend. We also need to take into account the R217, 500 for Minor Capital Items, a Refuse Vehicle for R400,000 (included in the R1,1m in the Fleet Budget), installation of Prepaid Water and Electricity Meters and other items with an indirect benefit to all towns.
2. No funds have been transferred from Roads to Botrivier WWTP or any other vote. We do not know which report you are referring to or how you arrived at the figure of R5, 887,332.
3. In the 2010/2011 Budget the amount of R16,590,960 represent the Capital Budget for Water of different towns as reflected in the table below:

TOWN	WATER PROJECTS	2010/2011 AMOUNT
Botrivier	Bulk Water Infrastructure Upgrading(3 ML Reservoir & Pump Station,100m Pumpline to new Reservoir & 150m new 315dia line to connect to existing res)	5 842 365
Genadendal	Voorstekraal 150kl Reservoir	150 000
Grabouw	Bulk Water Capacity Upgrading (Phase 3 ) New 550 to 500 mm dia pipeline between Eikenhof Dam and Worcester Street Pump station & Collinskop Booster PS	8 136 415
TWK	Pre-paid Water Meters/ Water Demand Management	2 463 180
	<b>TOTAL</b>	<b>16 590 960</b>

Villiersdorp Tel: (028) 840 1130 | Greyton Tel: (028) 254 9620 | Riviersonderend Tel: (028) 261 1360

Caledon, Botrivier, Tessaaradal Tel: (028) 214 3365 | Genadendal Tel: (028) 251 8130 | Grabouw Tel: (021) 659 2507

4. According to the Director: Technical Services, Training of the Operators will be conducted in the near future.
5. To answer your question we would like to refer you to Chapter 2 (Section 21) of the Constitution of South Africa, the Bill of Rights:

***"Freedom of movement and residence"***

1. *Everyone has the right to freedom of movement.*
2. *Everyone has the right to leave the Republic.*
3. *Every citizen has the right to enter, to remain in and to reside anywhere in, the Republic."*

We however acknowledge the impact of such influx of unemployed people on our bulk infrastructure and service delivery capacity. We do receive some relief government grant in the form of the Equitable Share.

Our initial indicative estimate for Indigent Subsidy in the "Focus Area" was R24 million (VAT inclusive). The figure of R21,035,366 (VAT inclusive) reflected in the section "Cost of Indigent Subsidy" was based on across-the-board tariff increases of approximately 10%. The Final Draft Tariff increases were used to recalculate the final Indigent Subsidy for 2011/2012 and amounts to R18,549,269 (VAT exclusive) as per the Newsletter and presentation at the Ward Committee Meeting.

We apologise for any confusion that this might have caused.

6. We do not know which "book" you are referring to as paragraph 15.3 has not been removed from the Tariffs or the Rates Policy.

7. Housing Queries

According to the Housing Manager the Municipality's 5 Year Housing Plan is prioritised in terms of the following criteria:

-Where the need is the greatest which is determined by the Housing Register for example:

Town	Applicants per Housing Register
Grabouw	3 646
Villiersdorp	2 139
Caledon	1 613
Riviersonderend	619
Bot River	550
Genadendal	229
Greyton	201
Voorstekraal	113
Bereaville	118
Tesselaarsdal	78
<b>Total:</b>	<b><u>9 306</u></b>

- Existing Housing Projects receive preference because these projects must first be completed and cannot be stopped.

- Planning Readiness: Projects that are already fully planned and are ready to be implemented, enjoys preference.
- Other Aspects for example when last a Housing Project was done in a specific area.

From the abovementioned information it can be deduced that Grabouw, Villiersdorp and Caledon are the prioritised Towns for Housing Delivery.

Furthermore, the planning aspect of the Housing Project takes more than two (2) years and consequently the implementing of the Housing Project for the following three (3) years is not possible. Riviersonderend's Housing Project was completed early in 2009.

Planning is time-consuming and it should be noted that we are experiencing delays as a result of Environmental Impact Studies in Riviersonderend.

#### 8. Ordinance 393 of 2009 reads as follow:

*"When making public the annual budget and supporting documentation in terms of section 22(a) of the Act, read with 21A of the Municipal Systems Act the Municipal Manager must also make public any other information that the municipal council considers appropriate to facilitate the budget process including:*

- *Information relevant to each ward."*

The IDP, Budget Process and compiling of Council's Budget (including Tariffs) is done in a manner which is transparent, participatory and well in line with the Constitution of South Africa, the Municipal Systems Act, Municipal Finance Management Act (MFMA), other relevant Legislation, Regulations and Government Guidelines.

In terms of Section 17 of the Municipal Finance Management Act, prescribes the **Contents of annual budgets and supporting documents**.

- (1) *An annual budget of a municipality must be a schedule in the prescribed format—*
  - (a) *setting out realistically anticipated revenue for the budget year from each revenue source;*
  - (b) *appropriating expenditure for the budget year under the different votes of the municipality;*
  - (c) *setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;*
  - (d) *setting out—*
    - (i) *estimated revenue and expenditure by vote for the current year; and*
    - (ii) *actual revenue and expenditure by vote for the financial year preceding the current year; and*
  - (e) *a statement containing any other information required by section 215 (3) of the Constitution or as may be prescribed.*
- (2) *An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.*

In view of the above, it is clear that our disclosures are over and above the minimum legislative requirements.

We are not required to have Budgets per Town but per Vote (Cost-centres/Departments such as Water, Electricity, Sewer, Housing, Finance, Parks, etc.).

Within each of these Votes we have Subjective Classification of Expenditure and Income (Eg. Employee Related Cost, Repairs and Maintenance, Contractor Services, Bulk Purchases, etc.).

Within each Subjective Classifications we have Line-Items (eg. Within the Subjective Classification of Employee Related Costs we have Salaries, Overtime, Medical Aid, Pension, etc. and within Repairs and Maintenance we have Line-items such as R& M of Buildings, R&M of Vehicles, etc.).

We however do have Expenditure classification of Employee Related Cost, Repairs and Maintenance of some Line-items, per Vote and per Town. The Capital Budget is also per Town as well as per Programme, Project and Source of Finance.

Income from Rates and Services (Water, Electricity, Sewer and Refuse) Levies and Actual Receipts is disclosed per Town. The above is also clearly reflected in our Monthly Financial Reports which are promptly placed on our website ([www.twk.or.za](http://www.twk.or.za)) for the sake of transparency, accountability and your convenience.

It must be borne in mind that major/costly systems amendments/upgrading and additional administration costs will be incurred to have a "Sub-system" for Detailed Town Budgets, each with its own Votes and Line Items. The question is, whether full value for money would be justified.

We would be grateful if in future comments, you would kindly refer specifically to the document name and page numbers. This will enable a much faster and efficient response.

Yours in Service Delivery

~~SN JACOBS~~

~~CHIEF FINANCIAL OFFICER~~

4 April 2011 (10:17)

Dear Mr. Jacobs,

**A few questions concerning the Budget, before we can give a meaningful contribution.**

1. What percentage was used for each town in the allocation of the TWK shared expenses?  
*(We used Sub-votes [040] with actual budgets per town and for Corporate Votes [000] we used Population Statistics as a basis for pro-rata allocations where there are no sub-votes- See Annexure "A")*
2. If this is the full extent of the expenditure of the Budget – Where does the money for the Capital items come from eg. R300 000 for Store (*Loans*); R400 000 for Dirt truck (*Loans: This should be Refuse Removal Truck*); R217 000 (*Income*) for small capital projects?
3. We insist that the mountain water pipeline be addressed, as it went through the Ward Committee and was determined to be Priority 1 for the whole community. We were promised that a start would be made this year, if it were listed as a priority. Although the pipeline is functioning at the moment, it is in a delicate state and any majorruption would result in us having to use the river water, which is undesirable. All these points were discussed in the Ward Committee meeting and consensus was reached.  
If TWK cannot see its way clear to fund this project above the existing ones, consideration to scrapping the Dirt truck and even the Municipal store until the pipeline project has been completed. We strongly recommend that a start be made this year, before we sit with a health problem and water shortage in this town.  
*(The request to start with the upgrade of the water pipeline will be reported to Council. At this stage we cannot make any promises, but we can assure you that Council will make an informed decision.)*

**Please find attached the Town Budget figures with some queries on the attached sheet.**

**We would appreciate a speedy reply as we still need to consider all your responses before we can make our final informed comment – With the deadline as end of workday today.**

4. Could you please indicate re the list supplied on Friday at the Forum meeting: Which are RSE expenditures only and which are shared with TWK.  
*(See Annexure "A"- this was provided at the meeting )*
5. Line item 5220: Heffing nie ontvang R242,016 – is this money that has been written off? Please elaborate.  
*(It is the contribution to Doubtful/ Irrecoverable Debts base on a payment percentage of 95%)*
6. Line item 5560: TV herlaaistasie – Where is this station? Who does it service?  
*(The stations are in Caledon, Riviersonderend, Villiersdorp and service the communities of those towns)*
7. Line item 5852: Caledon stortingsterrein – Does RSE make use of this facility?  
*(No)*
8. Line item 5853: Verwyde T'dal en M'ton – Please elaborate.  
*(Refuse removal is performed on contract by private contractors in Tesselaarsdal and Middleton)*
9. Line item 6040: Aansluitings nut – Who benefited from this? Where is it?  
*(It is for material for new connections (Water, Electricity, Sewer) in all Towns. The cost of the connections are recovered)*
10. Line item 6240: Bediening van dagvaaring – Who does this work? Where is this work done?  
*(It is for serving Of Traffic Offence Summons and the work are done by the sheriff of the court)*
11. Line item 6575: Fulltime Shopsteward – Who and where?  
*(At this stage TWK is sharing a SAMWU fulltime shop steward with other municipalities within the Overberg district in terms of the South African Local Government Bargaining Council (SALGBC) main collective agreement. The aforesaid agreement was concluded between the Unions representing the employees at the various municipalities' and SALGA (South African Local Government Association) who represents the*

*Municipality's. The elected official is currently based at Overstrand municipality, and services TWK municipality as and when required. The amount TWK is responsible for is pro rata rated.)*

- 12. **Line item 6740:** SABS inspektoraatfooi- Wat en waar word daar geinspekteer?  
*(Die toerusting by die Voertuig Toetsstasies in Caledon en Grabouw moet geinspekteer word ten einde te voldoen aan die SABS Standaarde)*
- 13. **Line item 6965:** Financial viability – Please elaborate.  
*(See Annexure "B" for brief synopsis of part of the strategy: numerous of these interventions/initiatives are only dreamt of by many municipalities and some of them are regarded as best practice by Treasury, SALGA, etc.)*
- 14. **Line Item 7044:** GIS – what is it? Is it an acronym? Please elaborate.  
*(GIS is a Geographic Information System is Software and is used for all the towns)*

We require this information before we can make a meaningful and informed contribution.

— Acting Chairman RSERA: Weem Rosenstrauch

## ANNEXURE A (QUESTION 4)

Riviersonderend		
5220	040	HEFFINGS NIE ONTVANG
5380	040	GRONDE & GEBOUE
5420	040	NETWERKE
5440	040	STRATE & STORMWATER
5520	040	PURIFICATION WORKS
6165	040	WYKSKOMITTEE
6360	040	DRUKWERK & SKRYFBEH
6520	040	MATERIAAL & OORKLERE
6530	040	PROTECTIVE CLOTHING
6760	040	TEEFONDS & DIVERSE
6880	040	VULLISSAKKE
7000	040	WATERSUWERING
7380	040	CLEAN & GREEN PROJEK
4510	000	BELASTING KORTING
5100	000	TOELAES RAADSLEDE
5120	000	VERVOERTOELAES RAAD
5140	000	TELEFOONTOELAES RAAD
5340	000	INDRINGERPLANT
5380	000	GRONDE & GEBOUE
5400	000	MEUBELS
5420	000	NETWERKE
5460	000	STRAATLIGTE
5560	000	TV HERLAAISTASIE
5620	000	VANDALISME/DIEFSTAL
5800	000	GROOTMAATAANKOPE
5810	000	GROOTMAATAANKOPE
5840	000	REKENAARDIENSTE/LISEN
5845	000	HUUR VAN GEBOUE
5850	000	STORTINGSFOOI KARWYDE
5852	000	CALEDON STORTINGSTER
5853	000	VERWYDE T'DAL & M'TON
5855	000	HUUR FOTOSTAATMASJIEN
5860	000	KONTRAKTEURS EKSTERNE
5870	000	FOTOSTAATKOSTES
5885	000	PARTNER DEV HAN
5900	000	WAARDASIEKOSTES
6040	000	AANSLUITINGS (NUUT)
6060	000	ADVERTENSIEKOSTES
6080	000	ARMLASTIGE BEGRAFNIS
6100	000	BANKKOSTES&O/RENTE
6160	000	BURGEMEEESTERSFONDS
6165	000	WYKSKOMITTEE
6180	000	ONDER BURGEM.PUB.ONTS
6200	000	SPEAKERFONDS

6220	000	DIENSTE	188 100
6240	000	BEDIEN VAN DAGVAARING	2 986
6360	000	DRUKWERK & SKRYFBEH	33 935
6400	000	INTEKEN-/SUBSKRUBSIES	722
6440	000	VERLORE BOEKЕ	493
6460	000	PUBLIEKE DEELNAME	4 230
6480	000	KUNSMIS,PLANTE & SAAD	6 792
6500	000	LEDEGELDE:VERENIGINGS	25 875
6520	000	MATERIAAL & OORKLERE	25 171
6530	000	PROTECTIVE CLOTHING	6 046
6540	000	PERSONEEL WERWINGSKOS	3 284
6560	000	OPENBARE/PUB. ONTHALE	3 981
6570	000	STUDIE BEURSE	4 230
6574	000	HERALLOKASIE KOSTE	2 488
6575	000	FULL TIME SHOPSTEWARD	2 986
6580	000	PERS.OPLEID./ONTWIK.	33 836
6584	000	VEILIGHEIDSTEKEN / GESONDHEID & VEILIGHEID	5 185
6585	000	MEDIESE BEVOEGT.ONDSK	4 976
6600	000	OUDITEURSFOOIE	82 103
6620	000	OPLEIDINGSHEFF.(SDL)	36 192
6640	000	POSGELD & SEELS	7 933
6660	000	VERTALINGSKOSTE	4 976
6680	000	REGSKOSTES/-MENINGS	18 983
6700	000	REKLAME & BEMARKING	1 990
6720	000	REIS EN VERBLYFKOSTE	25 850
6725	000	OUDET KOMITEE	6 469
6730	000	REKENAAROPGRADERING	14 928
6740	000	SABS INSPEKTORAATFOOI	3 234
6760	000	TEEFONDS & DIVERSE	2 214
6780	040	TELEFOON- & FAKSGELDE	229 080
6800	000	PENSIOENARISSSE:MEDIES	40 504
6820	000	WATERTOETSE	21 894
6830	000	LABORATORUIM GRABOUW	1 493
6860	000	VERSEKERING:ALGEMEEN	47 731
6940	000	KOMMUNIKASIE	11 539
6965	000	FINANCIAL VIABILITY	17 416
7000	000	WATERSUIWERING	19 157
7044	000	GIS	2 488
		SALARISSE	9 423 363
		HERESTEL & ONDERHOUD	233 788
		BRANDSTOF	241 278
		TOTAL	18 571 480

#000 = Corporate Vote: Used Population Statistics for pro-rat allocation; and 040 = Sub-Vote (Actual Budget) for RSE

### **Financial Viability: Appendix B**

Financial Viability Strategy is basically initiatives to reduce expenditure (without compromising service delivery), obtaining value for money, increasing revenue generation/revenue enhancement and thereby ensuring that the municipality remains financially healthy. It includes improved financial management, good governance and risk management.

<b>Strategic Issue</b>	<b>How implementation should be approached</b>
<b>1. Productivity and Cost Cutting Measures</b>	
Process Re-engineering Process	P3 Partnership to facilitate Business Process Re-engineering to become more effective and efficient and to reduce costs. Draft process where there are none and enhance existing processes for administrative as well as service delivery/technical services.
Improved Fleet Management	As per Implementation Plan of Technical Service To eliminate possible abuse of Fleet and reduce running and repairs/maintenance cost and ensure optimal use. Also to be used as a measure to control Overtime and monitor where services are rendered and not charged.
Asset Management	Improve Asset Management, Eliminate Abuse of assets by holding officials accountable and to ensure optimal use of assets and resources. Improved accounting for assets and regular verification of assets for completeness and accuracy
<b>2. Increase the Narrow Income Base</b>	
Data Cleansing	As per Project Plan: Ensuring that all Consumers /Ratepayers are appearing on our Debtors/Consumers Financial System; that all charges and levies are charged and charged at appropriate tariffs.
Tariff Modeling	P3 Partnership and development of Tariff Baseline Model
Tariff Re-engineering	Revision of Tariffs to ensure cost-recovery and that that the different consumers are charged in line with the level, frequency and quantities of services rendered.
Improved Debt Collection	As per comprehensive Debt Collection Strategy
Land Sales	Appointment of Service Provider Identify all Land for Development and investment potential. Also to address GRAP (Generally Recognised Accounting Practice) Assets
<b>Local Economic Development (LED)/Small Medium Enterprises (SME's)</b>	This is an initiative <ul style="list-style-type: none"> <li>• Analyse Creditors Payments to see how much of procurement outside TWK boundaries could be procured locally (Identify Market for TWK Procurement)</li> <li>• Assist in obtaining Start-up Capital / Cessions</li> <li>• Empower Local SMME's: Workshops to teach SME's how to Apply to be registered on the Vendor Database, Procurement, Procurement Points, Basic Entrepreneurial &amp; Financial Skills, etc</li> <li>• Revision of Preferential Point System</li> <li>• SME Open Day</li> <li>• Reduction of Tender Fee from R1000 to R500 for Tenders below R500,000</li> <li>• Other Interventions: Cost Analysis</li> </ul>
Constantly Improving Debt Collection	Increasing the Collection Rate annually. Introduction of Prepaid Water and Electricity Meters to avoid consumption in excess of affordable levels and having to write off the debts in line with a comprehensive Strategy
<b>3. Cost Saving Measures</b>	
Improved cost-benefit Analyses	Reduced Expenditure to obtain better value-for-money. Improved Competitive Bidding on Tenders/Procurement through the Supply Chain Management Policy
Reduce number of Trips by Messenger	Make use of electronic/information technology to reduce trips between towns
Reduction of Telephone Calls	Improve monitoring and control of telephone, recovering private calls and reduce number of private calls and time spent.
<b>Reduction of Overtime</b>	Improve monitoring and control of overtime
Implementation of Demand Management	To ensure that the correct goods/services are procured and to obtain maximum benefit/returns
Other Cost-Savings	Reduction of Costs and Overheads
Costing	Implementation of Activity Based Costing, Cost Benefit Analysis
<b>4. Good Governance</b>	
Risk Management	Approval of Risk Management Policy and Strategy, Established functional Risk Management Committee. Identify, Define, Evaluate and Mitigate Risks, enterprise wide (operational and strategic risks) beyond legal compliance.
Anti-fraud & Corruption	Workshop and Adoption of Anti-fraud and Corruption Policy. Zero tolerance.



## Theewaterskloof Municipality

Theewaterskloof Municipality Head Office  
6 Plein Street  
 P.O.Box 24  
 Caledon  
7230  
Telephone: +27 (28) 2143300  
 Fax: +27 (28) 2141289  
Website: [www.twk.org.za](http://www.twk.org.za)

Contact: V. Arendse

Date: 31 March 2011

### The Chairperson

Riviersonderend Ratepayers Association

PO Box

Riviersonderend

7250

### REQUEST FOR CHANGE IN ACCOUNT PAYMENT DATE

We acknowledge receipt of your letter dated 18 March 2011 and apologise for the delay in response.

Please note that a response was provided to you per letter dated 18 October 2011, a copy of which is attached for easy reference.

We do however note your concerns and will once again review our billing cycle to look at the possibilities and how feasible it would be without this having a negative impact on our cash flow.

Yours in Service Delivery

**SN JACOBS**

**CHIEF FINANCIAL OFFICER**



**Theewaterskloof  
Municipality**

Theewaterskloof Municipality Head Office  
6 Plain Street  
P.O.Box 24  
Caledon  
7230  
Telephone: +27 (28) 2143300  
Fax: +27 (28) 2141289  
Website: [www.twk.org.za](http://www.twk.org.za)

Verw. : N Barnard

Datum: 18 Oktober 2010

Per Handpos

Riviersonderend Belastingbetalers Vereniging

Posbus

Riviersonderend

Meneer

**VERSOEK OOR BETAALDATUM: RENTEHEFFING NA 25ste VAN MAAND**

Die volgende terugvoering vir u aandag:

1. Die rekeninge wat gehef is ten opsigte van 'n maand bv. September 2010 is betaalbaar vanaf die 1ste Oktober 2010. Dit is bloot 'n vergunning dat die betaaldatum uitgeskuif is na die 25ste van die maand (bv. Oktober 2010) wat volg op die maand waarvoor die rekening gehef is. Daar is in die geval dus 'n 25 dae kredietverlening deur die Raad.
2. In gevalle waar daar konvensionele kredietmeters is ten opsigte van water en/of elektrisiteit verbruik, is daar in werklikheid 'n ongeveer 15 dae verdere kreditverlening ten opsigte van die verbruik met ander woorde 'n gemiddelde 40 dae sedert die eenhede water of elektrisiteit werkelik verbruik is alvorens dit op die 25ste van die volgende maand betaalbaar sou wees.
3. Daar is begrip vir die posissie van pensionarisse waar baie van hulle eers hulle pensioen na die 25ste of eers in die volgende maand sou kry en dan 'n boete rente moet betaal as hulle na die 25ste betaal.
4. U moet miskien die moontlikheidoorweeg om elke maand 'n iets ekstra te betaal sodat u in staat is om teen die betaaldatum op datum te wees en op die manier verhoed dat daar rente gehef word.

Laasgenoemde word veral sterk aanbeveel in onsekere omstandighede waar verbruikers blootgestel kan wees aan onvoorsiene uitgawes.

Die uwe

S/N JACOBS

**DIREKTEUR FINANSIES**

Villiersdorp Tel: (028) 840 1130 | Greyton Tel: (028) 254 9620 | Riviersonderend Tel: (028) 261 1360

Caledon, Botrivier, Tsessebastrand Tel: (028) 214 3365 | Genadendal Tel: (028) 251 8130 | Grabouw Tel: (021) 859 2507

**MEETING OF THE TWK RATEPAYER'S FORUM HELD AT GRACE GUESTHOUSE,  
CALEDON, AT 10.00 on 1<sup>st</sup> April 2011**

1. **Present:** Gerald McCann (GM) Bot River, (Chairman); Johan van Niekerk (JvN), Bot River; Gert Kogelberg (GK) Caledon, Leo Pompe van Meerdevoort, Villiersdorp (PvM); Jenny Pierd, Villiersdorp; Joe van Lierde (GvL), Greyton, Weem Rosenstrauch (WR) and Clive Sanderberg, Riviersonderend.  
Mr. Jacobs, Director of Finances, TWK, and Joana Dibden, TWK Tourism and Development, were welcomed as guests to the meeting.
2. **Apologies:** Jenny Duncan (Greyton) and Jan Barnard (TWK)
3. **Opening and welcome:** The Chairman welcomed all present, especially Mr. Jacobs.
4. **Minutes of the meeting held on 4 February 2011** had been electronically circulated and were taken as read. Proposed, WR and seconded LvM.
5. **Matters arising:**
  - 5.1. Net metering of electricity. GK explained the concept of Net metering as a means of reducing electricity consumption by using alternative means and earning 'Carbon credits' for the country. TWK is actively exploring and promoting the concept, as it is closely related to industrial development. TWK hopes to finalise the Net metering policy for the area by the end of the year. He handed out a CD to each attending member for further study. Joanna Dibden said that TWK is looking at the use of sustainable wind-power and is presently negotiating with Escom. WR emphasised that 'local' does make a difference, (every house has an alternative energy source.)
  - 5.2. Local Industrial Development: Joanna Dibden explained what the object of the LED was to local environmental and business prospects. TWK envisaged partnerships to improve the economic environment. And tourism, as well as residential growth in the satellite towns. TWK is looking at Light Industrial Development to be in place by 2020, with a community strategy and action plans in place.
  - 5.3. Rebates for development in the area: A strategy is in place to accommodate pensioners. JvN stressed the importance of introducing sliding scales for the payment of rates and services. Farmers rates also needed ongoing investigation, as their labour and transport use TWK roads and facilities. Mr. Jacobs undertook to look into possible sliding scales, but emphasised the need of additional staff to implement such scales without additional income.
  - 5.4. Mr. Jacobs then addressed the meeting on the LED and handed out a document summarising the draft budget, which he discussed in detail. He mentioned market strategies on use and supply and also spoke about trying to reduce indigent subsidies.
  - 5.5. Development of a Website: GK is working on a Website, using the Hermanus model. He will circulate his proposals to members via E-mail.
  - 5.6. Standardisation of Constitution: GK said that we need to find a Ratepayers Forum that already has a Constitution and use this as a model. He had such a model available and would circulate it to members.
  - 5.7. Input into the draft budget: **WR was adamant that the lack of community consultation in drawing up the budget proposals was unconstitutional.** He had handed over a document to a legal representative for input, and circulated his letter of objections to TWK to the Forum members. Members were all in agreement that the input at Ward Committee level was not acceptable and that answers to questions were not forthcoming. Mr. Jacobs said that the date for submitting objections to the Budget Proposals would be extended to Monday 4<sup>th</sup> April.

He said that community consultation was bypassed as the budget must be presented to Council before the Municipal elections.

5.8. Mr. Jacobs was presented with a further opportunity to provide input into the meeting. WR again voiced his objections to the present top-down model, as opposed to the official Government policy of having input from the bottom-up. Mr. Jacobs anticipated objections being raised concerning employee remuneration and explained that this is out of the hands of Municipalities but is laid down by a Central Body. GK proposed he would write a letter to TWK thanking them for Mr. Jacobs's professional presentation. Proposal accepted

6. **Reports from town representatives:** Owing to time constraints, these were to be brief.

- 6.1. Bot River: GM raised the problem of overgrown plots and letters to plot-owners, which frequently failed to elicit any response. He urged Mr. Jacobs to investigate the possibility of including mention of a fine in the final letter when there was non-compliance. Mr. Jacobs said that there was a 15% penalty clause, but it was felt that this was insufficient. GM and JvN again raised their objections to the supposed 'levy' paid in lieu of the 6kl of free water.
- 6.2. Caledon: GK was in continual contact with the Municipal Manager, Mr. Stan Wallace.
- 6.3. Greyton had already provided input through JvL under "Matters arising."
- 6.4. Rivieronderend: WR again raised the question of the date of pension payouts and the interest added to the Rates accounts of poor pensioners from the cut-off date until they received their pension payouts. Mr. Jacobs undertook to look into the matter.
- 6.5. Villiersdorp. Nothing to report.

7. **Any other matters:** PvM called for the establishment of a **Service-level agreement between TWK and the Ratepayers Forum**, relating to finance and other general concerns not affecting the local Town Managers. This would accomplish some of the annual points-rating of TWK. Mr. Jacobs undertook to look into the matter.

8. **Chairman and coordinator and date of next meeting.** Rivieronderend would chair the next meeting, to be held on Friday 2 June at the same venue.  
**Future meetings for 2011:** 5 August, 7 October, 2 December.

8. **Closure:** The Chairman closed the meeting at 13.00 and thanked all the participants.

**COMMENTS ON THE MINUTES OF THE TWK RATEPAYERS FORUM MEETING HELD ON 01 APRIL 2011**

Please note the Minutes were received on 08 April 2011 and not on the agreed extension date of 04 April 2011

The following items in the minutes are incorrect:

5.3 Sliding Scales for Rates (not Rates and Services) and not only for Households with total earnings of up to R3500  
The Ratepayers Forum was presented with the following:  
1. Summary of Draft Budget ("Citizens Draft Budget")  
2. Summary of 2009/10 Annual Report ("Citizens Annual Report")  
3. Document with additional details of the Draft Budget setting out the Process, Explanation of Sec. 17 of the MFMA (outlining the Contents of and supporting documents of the Budget prescribed) High-level Operating Income and Expenditure per Town, supported by detailed Vote Line Items per Town. What if Rates, Refuse and Sewer Tariff Increase by only 4.5% (this was also fully explained by Mr. Jacobs)

5.7 I never said the Community Consultation process was by-passed. Ward Committees and the Ward Councillors are Community Representatives, the process is therefore legitimate.

5.8 Mr. Jacobs did not anticipate objections but questions, explained that it is decided at the South Africa Local Government Bargaining Council between Labour Unions and the Employer/Municipality representative body, South African Local Government Association (SALGA) Agreement: CPI+ 1.5% + approximately 2% for TASK Job Grading (National Collection Bargaining requirement) plus 2% Salary Notch Increase

6.1 The Basic Charge was fully explained by Mr. Jacobs



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Caledon  
7230  
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Website: [www.twk.org.za](http://www.twk.org.za)

## Theewaterskloof Municipality

Enq: SN Jacobs

Date: 14 April 2011

The Chairperson

Botrivier Rate Payers Association

PO Box 624

Botrivier

7185

### **COMMENTS OF DRAFT BUDGET**

Your comments and concerns were considered and discussed, we respond as follows to your comments:

The IDP, Budget Process and compiling of Council's Budget (including tariffs) is done in a manner which is transparent, participatory and well in line with the Constitution of South Africa, the Municipal Systems Act, Municipal Finance Management Act (MFMA), relevant Regulations and Government Guidelines.

#### **Compulsory Rainwater Tanks:**

We did a costing exercise on the purchase and installation of a 2 200 litre Rainwater Tank. The best price we obtained for a Rainwater tank was R3, 499 including installation. So if we take in consideration the indigents (who will not be able to afford it) whom the municipality will have to subsidise, it would cost the municipality R27, 299, 000 (R3, 499 x 8000 indigents). There is also no legislation that gives the municipality the authority to enforce the installation of rainwater tanks at their homes. Although we value your suggestion, unfortunately this would be impossible to implement.

### Capital Per Town

According to the Town Manager, Botrivers also received large capital funding in the previous two Financial Years. In the current Financial Year (2010/2011) Botrivers Capital Budget amounts to R4, 703,471.

For 2011/2012 Botrivier does not only have a R150, 000 Capital Budget. You should also take note of the R100, 000 Capital Expenditure on the Quick Wins Project, the Installation of Prepaid Water Meters (for all towns) and Minor Capital Items (Inventory items e.g. Equipment). Also note that Botrivers has a Housing Allocation of R5, 600, 000.

### Basic Charge

Please note that according to the criteria set by the municipality, pensioners also qualify as indigents. The definition of a indigent household is a house hold with a total income of less than two times the Old Age Pension Grant (R1160 x 2 = 2320). Therefore qualifying pensioners are not required to pay the basic charge.

### Indigent Contribution

Current government policy requires that the poor be given access to a Free Basic Service. Therefore we cannot enforce a contribution of R10 upon indigent households. They can't afford it, and it will not be cost-effective to enforce such charges, taking into account the cost involved in printing, sorting and mailing of such accounts.

In view of the above we hope that we have addressed all your comments and queries. We would also like to thank you for your constructive input.

Yours Faithfully,

S.N. JACOBS  
DIRECTOR: FINANCIAL SERVICES

Mrs. B Munsamy-Swartland

11 April 2011

Brian McMahon  
Greyton resident

#### **RESPONSE TO COMMENTS ON DRAFT IDP**

Statistics South Africa is the only legal statistics source available in South Africa. However the last census was conducted in 2001, which makes the available statistics outdated. The community survey was conducted in 2007 and this was done on a sample bases and does not go down to ward level or even town level. In comparing both the 2007 survey with the 2001 census many discrepancies are noted.

The total population of 106 172 is closer to informal estimates of the municipality which amounts to 110 000.

Many sources of statistics have been identified to give the reader an indication as to the approximate number of residence in the TWK area.

The lack of accurate data is a major challenge especially when it comes to planning; therefore it is essential that a comparison of data from different sources be made.

It has been noted that the population per ward as per the Quantec data is incorrect.

With reference to number of households, as indicated earlier, Stats SA data is outdated as a result the municipality estimates the number of Households within the municipal area by the number of households receiving municipal services.

With regard to the backlog, response is as follows:

- Water: We did not just take into account the formal households who receive a municipal account with water backlog but also those living in the informal settlements with minimum or less service standard to their doorstep.
- Sewer: Not all households are connected to full waterborne system. Some have septic/conservancy tanks and others below service standard. Therefore, the number of households connected to sewerage is relatively lower than the number of households connected to water.

#### **Point 2: Ward 2 – Community needs Analysis**

The top 5 priorities as indicated by the ward committee and communities respectively are as follows:

1. **LED/Job creation opportunities** - A budget for LED/Tourism initiatives has been allocated for the entire TWK and focuses on Tourism bureau support, SMME Support, Marketing and branding, employment intermediation, destination marketing and Tourism routes.
2. **Free Connection to sewerage networks (Genadendal)** – a decision has been taken that, existing houses not connected to a sewerage network and is close proximity to a link will be connected by the municipality without any cost to the end user. New developments however will have to pay the prescribed tariff.
3. **Low cost housing** – none planned for the 2011/2012 financial year. The municipality determines the priority for housing where the need is the greatest. Need is determined by the number of people on the housing list. The greatest needs are as follows: Grabouw 3646, Villiersdorp 2139, Caledon 1613, Genadendal 229 and Greyton 201. Other influencing factors are projects already committed, amount of housing DORA allocation, projects already contracted and recently completed projects. Genadendal received 158 houses in 2010 and Greyton 57.
4. **Upgrading of sport fields** – Greyton / Genadendal (flood lights, irrigation systems, proper maintenance etc) – R 125 000 on the 2011/2012 budget for the Expansion of existing play parks (*decided by the ward committee*)- maintenance budget for sports fields available for 2011/12 financial year. In the current financial year, toilets are being installed at the Bosmanskloof sports facility and tennis courts were upgraded at Greyton.
5. **Restoration of Old House**- no program exists. Under investigation.

### **Point 3: Turn around strategy:**

*Agriculture:* While it is correct the Municipality has no agricultural specialist on board, we work closely with various agricultural associations and rely on their experience and expertise. We would be happy to share details of any engagements as required. Through our 2030 engagements it is clear that the most useful support we can provide to the sector is the continuation of the rates discounts and by focusing on the quality of the water and our fire management plan and strategy.

*Tourism:* Tourism is a priority and the Municipality is in the process of aligning all its policies with this strategic focus. The recent launch of The Cape Country Meander provides a route and mini-routes within the larger route as well as a series of product offerings to encourage people to visit for longer and in the off-season periods. The issue of the tourism rate valuations has been raised and is being investigated.

Wind farms on the route are not necessarily tourism detraction and have been used to attract tourists and researcher tourists in some regions.

*Light Industry:* The need for light industrial land and commercial land for service based industries has been raised repeatedly in consultations with the Greyton community. Several business people have noted that there is no commercial space to undertake economic activities in the region. Perhaps this is something the residents association needs to further investigate and coordinate its request to the Municipality.

*Financial viability:* Almost all rural and small town regions in South Africa are financially constrained at the municipal level as they do not have an adequate rate paying base to address

service needs and backlogs both essential and desirable. Theewaterskloof is no exception. However the Municipality is confident that it will begin to unlock some of its financial challenges as it transforms its core towns from simply agricultural service depots into vibrant and productive economies. The focus on tourism is simply the first step in this process.

#### **Point 4: Infrastructure Services**

Scholtzriver Stormwater Phase I- It is a backlog and should remain as such in the IDP. It is a priority 0 and is scheduled for implementation in 11/12 and 12/13- but this will most probably not be the case since funding is not available. The project is not dead however, its still on the budget, but with 5% of the needed funding.

The Berg Street wall was completed according to specification.

Uncompleted flood projects will remain on our list until funding becomes available.

RSE Bridge is a provincial bridge and road and therefore remains the responsibility of province.

#### **Point 5: Spatial development Framework:**

Public participation took the following form:

- It was advertised in local newspapers as well as at the municipal offices indicating that open evenings would be held regarding the SDF.
- The document was available on the web as well as in every public library in TWK area.
- Two open evenings were held in Greyton where the consultants and officials of the Council were present to respond to any problems and/or questions.

The proposals for Greyton made by GRRO, was taken into consideration and found not to be compatible with the format of an SDF as prescribed

In the document, "GUIDELINES FOR THE PREPARATION OF CREDIBLE SPATIAL DEVELOPMENT FRAMEWORKS" by the Department of Environmental Affairs and Development Planning. To incorporate the proposals, a mechanism had to be found to align this with the document but simultaneously not loose the credibility expected by the Provincial Department.

SDF's should not contain the full detail of every sector plan developed as part of the IDP. Rather the sector issues should be taken into account in the preparation of the spatial perspective and expanded SDF. Each sector plan with its proposals should in turn take direction from the core argument and concepts contained within the SDF with respect to the spatial location, type and integration of their proposals. The SDF in turn should synthesise the issues and needs reflected in sector plans or strategies, balancing the different demands and provide a holistic spatial picture of development intentions for the municipality. This is entirely prescribed as enhancing the "credibility" of and SDF.

Ideally, this approach would require process alignment of the preparation of the SDF and sector plans, and although this may not always be possible, it should be the aim of municipal departments to achieve this process alignment. It definitely requires the involvement of all relevant arguments and proposals made by GRRO. The proposals will form part of the present SDF, but will be aligned with arguments of especially spatial concepts. The interest of the broader community supersedes those of individuals.

**Point 6: Sector Plans:**

The sector plans are internal management documents to guide the work of the Council which every local government is required to develop. Public input for all these plans is solicited through a public participation process. Copies of sector plans are available on the municipal website.

**Hope the above explanations assist in clarifying your concerns.**

**Yours in Development**

MH Gxoyiya

DIRECTOR: DEVELOPMENT

# **THEEWATERSKLOOF MUNICIPALITY**

## **2011/12 MTREF BUDGET ASSESSMENT**

### **EXECUTIVE SUMMARY**

Interaction between the Provincial sphere and Municipality on planning, budgetary and implementation issues has become practice. Relationships since the introduction of the Municipal Finance Management Act, Act 56 of 2003, have taken on a life of its own and even though originally focussed on compliance to legislation, the relationship has moved beyond and is now considered a collective endeavour to improve the quality of life of our citizens through service delivery.

The Municipal Finance Management Act (section 22) requires the Municipal Manager submit the draft budget to, amongst others, the Provincial Treasury immediately after tabling the draft budget in Council. In turn, the Provincial Treasury must provide views and comments on the draft budget and any budget-related policies and documentation, which must then be considered by Council when tabling the annual budget (section 23). The LG MTEC 3 engagements have been designed to give effect to these legislative requirements.

This assessment report encapsulates the Provincial Treasury's comments on the draft 2011/12 MTREF Budget of Theewaterskloof Municipality. Observations are made from the available documentation and it is envisaged that the planned engagement would contextualise your Municipality's challenges and responses as taken up in the draft Budget, IDP, LED and various other strategies and plans.

In preparing this report, the Provincial Government has developed a framework for considering the draft municipal 2009/10 MTREF Budgets. This assessment report of the draft Budget covers the following three broad areas:

- Part 1: Performance on the Mid-year and Annual Report;
- Part 2: Credibility and Sustainability: whether the Municipality can execute and deliver on this budget realistic/ability to spend; and
- Part 3: Assessment of the draft IDP, Budget and its Worthwhileness.
- Annexure A: Department of Local Government Analysis

## PREVIOUS KEY LG MTEC FINDINGS

Table below provides a summary of the previous LG MTEC findings and the progress to date.

**Table 1 Summary of 2010 LG MTEC findings, response and progress to date**

Area	Finding	Action required	Progress
Housing	Housing allocations not in line with the demand of housing backlogs.	The Municipality was advised to have discussions with the Department of Housing	Despite the engagements with the Department of Human Settlements, the housing allocation is still not enough.
Debtors	Concern debtors' collection period.	Implementation of initiatives to reduce and manage debtors.	According to 2009/10 AFS, the collection period has deteriorated.
Repairs and maintenance	Serious repairs and maintenance and renewal backlogs existed.	The Municipality was advised to think of solutions over the medium-term.	The Municipality has conducted an assessment on repairs and maintenance and renewal backlogs to ensure that enough provision is made in the budget.
Distribution losses	Distribution losses on water at 16.7 per cent at the end of 2008/09 financial year.	Installation of water meters.	According to the 2009/10 AFS, distribution losses have slightly gone down to 15.5 per cent. Installation of water meters is still in progress.
External Loans	Debt burden has increased substantially over the next financial years.	The Municipality must watch its borrowing as it might become unaffordable in future.	Borrowing by the Municipality indicates an average annual decrease of 3.1 per cent while also showing a year-on-year decrease of 14.3 per cent from the 2010/11 financial year.

## PART 1: PERFORMANCE ON THE MID-YEAR AND ANNUAL REPORT

### 1.1 BASELINE AND PROGRESSION ASSESSMENT: FINANCIAL YEARS MINUS 1 AND CURRENT FINANCIAL YEAR

#### 1.1.1 Service Delivery Performance (Responsiveness)

This section includes both municipal performance and municipal entity performance. Performance recorded in the Mid-Year and Annual Report will be assessed against the SDBIP by focusing on the following Key Performance Areas.

**Table 2 Planned Targets vs. Actual delivery**

KPA's	2009/10 Annual Report		2010/11 SDBIP	2010/11 Mid Year
	Target/ Baseline	Actual	Target	Actual
Water: minimum levels and above	31 581 or 98.8 per cent of households.	37 385 or 100 per cent of the total households	39 504 or 100 per cent of households.	No information in the mid-Year Report for these KPA's.
Water: Below minimum level more than 200 m from dwellings	374	No service below minimum level	None	
Water : new connections	0	0	100 per cent	
Refuse Removal: minimum service level	No information provided	No information provided	100 per cent (formal and informal).	
Refuse Removal: Informal HH below minimum levels	No information provided	No information provided		
New Refuse connections	No information provided.	No information provided		
Sanitation: minimum services and above	33 898 households	39 504 or 100 per cent	39 504 or 100 per cent	
Sanitation: below minimum levels	None	none	None	
New connection sanitation		110		
Electricity: minimum levels and above	5 056	5 249	5 249	
Electricity: below minimum standard	0	0	0	0
Housing :Houses built and Sites serviced	242	307 houses built and 0 sites serviced	1169 Annual Target	No info in Mid-Year Report
LED Strategy		In place	In Place	In place
No of job initiatives created through LED including Capital projects.		1 185	350 Annual Target	No info in Mid-Year Report
% of Capital Projects Spent on implementation of IDP Strategies		81	95 per cent	95 per cent

Sources: 2009/10 Annual Report, 2010/11 SDIBIP and Mid-year Report

The analysis for this table follows in the next page.

## **Budget performance and Overview**

This section provides an overview of previous and current years' budget performance against accepted performance criteria, their relationship, whether they were in line with the relevant Service Delivery and Budget Implementation Plan (SDBIP) and the extent to which they will support or undermine the planning of the Municipality.

It is acknowledged that the format of the mid year is not prescribed, however, it is requested that the Municipality must include both financial and non-financial information as per the SDBIP of the Municipality.

The mid-year report submitted by the Municipality focussed on financial information and is not adequate enough to provide a performance assessment based on the non-financial information. As a result, the non-financial information is supplemented by using the SDBIP information on the IGNITE website to gauge performance. The information used is from 01 July to 31 December 2010.

### **Response by Municipal Manager:**

The SDBIP is still a work in progress project. We started off by using external consultants and had to rely on their guidance and training. The requirements of the AG are becoming clearer to us and exceptional effort is done to have a more compliant SDBIP prepared. We have introduced various performance management mechanisms to guide us during this process.

The Municipality reported that it had 516 Key Performance Indicators (KPI) for 2009/10 financial year. Of the 516 Key Performance indicators, 76.7 per cent were met (100 per cent and more achieved), 9 per cent were almost met (75 – 100 per cent achieved) and 14 per cent were not met (below 75 per cent).

The following achievements for 2009/10 were reported and are not limited to the indicators below:

- The Municipality won the Top Service Delivery Local Authority in the Country Award.
- The Municipality won the SAHF National project award of the year and the SAHF Housing Person award for year 2009/10.
- Water mains were upgraded from AC pipes to 110 mm diameter PVC pipes in Voorstekraal, Genadendal, Caledon, and Botrivier.
- Water upgrading in Grabouw completed, Greyton/ Genadendal and Riviersonderend.
- Roads in Riviersonderend, Villiersdorp and Botrivier have been stabilised and resealed.
- Sewer main in Genadendal have been replaced and upgraded to a 160 mm diameter HDPE pipe.
- 105 houses built in Grabouw, 45 houses completed in Villiersdorp and 77 houses were completed in Genadendal.

The provision of Water and Sanitation appear to be at acceptable levels in relation to Basic Service provision as per the 2009/10 annual report. The Annual report indicates that 100 per cent of known households had access to basic water and sanitation. Table 68 of the Annual Report reflects that 19 874 households received basic refuse removal in 2009/10. However, the percentage of households having access to refuse removal service minimum standards still needs to be clarified as it is not provided in the Annual Report since a different number of households are stated for each service.

With regards to electricity, the Municipality reports only on the number of households it services and not on the total households in the municipal area. The Municipality is responsible for electricity distribution and reticulation in Villiersdorp, Caledon, Greyton and Riviersonderend; the rest of the electricity is supplied by Eskom. A number of 5 249 households had access to electricity at minimum and above levels in 2009/10. Of the 5 249 households, 2 697 had prepaid electricity meters. The Municipality further reported that the backlog in electricity connections is 524 households. This impacts on the revenue generation of the Municipality as electricity revenue is foregone by only providing electricity to a limited number of households.

**Response of Finance:**

It must be noted that Part of Greyton, Genadendal and Riviersonderend is supplied with electricity by Eskom.

Free basic services were provided to both indigent and non-indigent households (water, refuse removal, electricity and sanitation). These are the households earning less than R2 160 per month. The quantum of support and the cost of providing the free basic services are provided on page 69 of the annual report

**Response of Finance:**

It must be noted that free basic services are only provided to indigents households, which include the services of water, refuse removal, electricity and sanitation. Non-indigents only receives the 6kl of water free.

The number of indigent households was reported at 5 911 or 26.8 per cent of the total households. The percentage is calculated as the number of indigent households divided by 22 056, which is not a true reflection of total number of households if one compares this number with the number of households reported to have access to water, sanitation etc for the same financial year.

The Annual Report further indicates that 81 per cent of the adjusted capital budget (78.8 per cent of the original budget) has been spent on capital projects as identified in the municipal IDP. Comparing this to the 2008/09 financial year, there was an improvement in the capital expenditure compared from 70 per cent in 2008/09. A further breakdown of each service is provided on page 70 of the Annual Report.

## **Local Economic Development**

The LED Strategy was adopted during the 2009/10 financial year and indicates the areas that require assistance in promoting the area and attracting new business. It also focuses on retention in terms of current businesses, thereby improving competitive rates and tariff structure and also by attracting investment.

Theewaterskloof Municipality implemented numerous strategies towards poverty alleviation and job creation through Local Economic development. The Municipality provided progress on the implementation of its Local Economic Development Strategy.

The following employment opportunities were created: 145 from manufacturing (prestige clothing), 142 from Tourism, 120 jobs from social programs and 1 185 from the community works programme. Branding and marketing plan has been developed.

## **Summary and Recommendations**

LED related partnerships established with P3 (SALGA, SALAR) and the partnership focuses on re-engineering tariffs by introducing the baseline tariff model on which the Municipality is being used a pilot.

### **Response by Finance:**

P3 is not only a LED partnership. They are working together with our Costing department to establish a baseline tariff model. The Costing department has undertaken the process of tariff re-engineering, where we evaluate our tariffs according to statistics on services provided and the affordability.

With regards to the Municipality's 2010/11SDBIP, there is evidence of ownership of the SDBIP by the Municipality. Comments on progress are provided instead of only putting actual performance. Reference is also made to source documents to be used for audit performance. Performance Reports are presented to portfolio committees and are prepared on a quarterly basis. The Municipality has adjusted its budget and have indicated that it will also be adjusting the SDBIP.

### **Response by IDP:**

This is the 2<sup>nd</sup> year into the implementation of the PMS. Officials are finally getting a hold of what is expected in terms of legislation. We are not totally there in terms of applying the smart principles and avoiding audit findings, however the 2011/2012 financial year is hopeful in addressing many of the audit issues identified by the AG.

It is acknowledged that the format of the mid-year is not prescribed, however, it is requested of the Municipality include both financial and non-financial information as per the SDBIP of the Municipality. This will ensure an improved linkage between spending and what funds have bought.

**Response by IDP:**

**Both financial and non financial indicators will be included in the 2011/2012 SDBIP.**

The Annual Report of the Municipality, in its current state, does not report on targets which were planned with regards to access by service type for 2009/10, however, the previous year's actual household's access numbers can be used as a baseline information. Some of the targets are annual targets which can only be reported at the end of financial year.

In summary, the Annual Report indicates that the Municipality is making progress in delivering services to the community. There are areas where the Municipality still needs to improve such as reducing the housing backlogs. However, cognisance should also be taken that delivering on houses depends on the allocation of funds by the Provincial Government and the Municipality has been spending all its housing allocation over the past financial years.

## PART 2: CREDIBILITY AND SUSTAINABILITY

### 2.1 BUDGET DOCUMENTS PREPARED AND TABLED IN PRESCRIBED FORMATS

The submitted Quality Certificate has been signed by the Municipal Manager and indicates that the annual draft budget and supporting documentation have been prepared in accordance with the MFMA and is consistent with the Integrated Development Plan of the Municipality.

The Compliance Checklist Review indicates that the Municipality improved with completing the supporting tables since 2010/11 draft budget. The completion of the budget related policies has also improved, from four to one outstanding policy according to the compliance checklist.

#### ***Findings***

The Municipality did not complete some of the supporting tables (SAs 11, 21, 33 and 37) and Performance Agreements of Senior Managers Policy.

#### ***Response by Finance:***

SA11: The table Property Rates Summary could not be completed as the information is not available.

SA21: The table Transfer and Grants made by Municipality the only item completed on the table, with the preparation for the final budget, is the payments made to Escom for provision of the Free Basic Service in order to align the budget with GRAP.

SA33: The table Contract having future budgetary implications has no information as we have no contract exceeding 3 years as mentioned in section 33 of the MFMA.

SA37: The table Project delayed from previous financial years reference is made to section 30 of the MFMA which deals with Unspent funds. Due to the budget dates been moved forward it is difficult to predict unspent funds to be rolled over. At the end of February 2011 capital spending was at 54%, keeping in mind the SDBIP indicates the projected expenditure accelerates towards the end of the year

#### ***Performance Agreements of Senior Managers Policy? Mr. Jacobs***

The audited outcomes, as reflected in the A1 Schedule tabled in the council, are different to the numbers in the audited AFS.

#### ***Response by Finance:***

The A1 schedule that was placed on the CD and collected by Provincial Treasury, the 2009/2010 audited outcome for the Financial Preformance balance with the Annual Financial Statements. After submission it was noted that the capital did not balance with the

Annual Financial Statements and it was corrected to be tabled for the final approval of the budget.

## **Recommendations**

As stipulated above the Municipality has since improved with the submission and completion of supporting tables it is then encouraged to in future complete the outstanding tables as they provide crucial information which assist with understanding and assessment of budgets.

## **2.2 OVERVIEW**

Table 3 below reflects growth trends of operating and capital budgets over a period of 7 years.

**Table 3 Summary Overview**

Description	2007/08	2008/09	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			% Average growth in total 2007/08	% Average Y-T-Y growth 2010/11 - 2011/12
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Actual YTD	Budget Year 2011/12	Budget Year 2012/13	Budget Year 2013/14	
Total Revenue (Excl. Capital Transfers)	177,098	216,881	221,107	267,097	269,652	152,002	272,559	297,888	330,252	9.3	2.0
Total Operating Expenditure	219,986	216,921	247,009	258,291	265,073	112,058	270,966	292,833	324,085	5.7	4.9
Surplus/(Deficit)	-42,888	-40	25,902	-10,021	4,579	39,944	1,593	5,055	6,167	-175.8	-115.9
Total Capital Revenue	82,659	60,454	73,947	83,052	82,043	37,665	87,269	70,045	77,966	-0.8	5.1
Total Capital Expenditure	82,659	60,454	73,947	83,052	82,043	37,665	87,269	70,045	77,966	-0.8	5.1

Source: 2011/12 Draft Annual Budget: A-Schedules

The table above indicates that the average total average growth for operating revenue is 9.3 per cent over the 7 year period between 2007/08 and 2013/14 financial years while the 2011/12 budget shows an annual growth of 2 per cent from the original budget and a 1.1 per cent of the adjusted budget of the 2010/11 financial year.

The average growth in total operating expenditure, over the 7-year period (2007/08 - 2013/14), is 5.7 per cent while the 2011/12 budget shows a growth of 4.9 per cent from the 2010/11 original budget and a 2.2 per cent of the 2010/11 adjusted budget.

The Municipality's audited outcome for 2007/08 and 2008/09 financial year has reflected a deficit while the Municipality has budgeted for a deficit in the 2010/11 budget. However, it should be noted that the audited outcomes that were submitted with the budget documents differ with the amounts in the Annual Financial Statements.

### **Response by Finance:**

The amount on the financial system is still in IMFO for the financial year 2007/2008 and was imported into the A1 schedule. Therefor this 2007/2008 is not a good comparison. The 2008/2009 Financial years deficit is because of the GRAP statement that was implemented. If the depreciation of R17,841,291 is added to the deficit of R40,000 a surplus realises. We are

still in the process of improving on our budget reporting and will have improved tremendously by next year.

The 2011/12 draft capital budget shows a growth of 5.1 per cent from the original budget of the 2010/11 financial year and 6.3 per cent against the adjusted budget. The performance of 45.9 per cent as at the end of January 2011 is of a concern because if this trend continues the Municipality is only going to spend R64.57 million or 78.7 per cent of the adjusted budget.

#### Response by Finance:

The spending until end of March 2011 for capital is R51,525 million including commitments. Thus 63% of the capital budget is spent. The projection for the year will then be R68,7million or 83.74% of budget. Although an underspending is projected it must be noted that spending will accelerate to the end of the financial year. This can also be seen on the SDBIP after the cashflow has been adjusted in relation the adjustment budget.

The Municipality's year-on-year performance of the capital budget has improved when compared to the same period (January 2010) of the previous financial year.

## 2.3 TOTAL OPERATING REVENUE

### 2.3.1 Financial Health Assessment

In the absence of an acceptable norm for most of the ratios, trend analysis is used as a basis for analysing and interpreting this ratio.

#### Ratios related to Revenue Management

Table 4 below shows the Municipality's revenue management ratios.

**Table 4 Revenue Management Ratios**

Description	Audited Outcome						
	2006/07	2007/08	Growth %	2008/09	Growth %	2009/10	Growth %
(A) Actual Service and Property Rates	89 313	105 283	17.88%	116 549	10.70%	134 130	15.08%
(B) Budgeted Service and Property Rates	91 558	109 747	19.87%	125 712	14.55%	133 857	6.48%
(C) Variance (R'000) A-B	-2,245	-4,464	98.84%	-9,163	105.26%	273	-102.98%
Variance (%) C/B	-2.45%	-4.07%	65.89%	-7.29%	79.20%	0.20%	-102.80%
<hr/>							
(A) Grants and Subsidies	59 032	90 352	53.06%	59 558	-34.08%	91 845	54.21%
(B) Total Revenue	191 675	220 346	14.96%	205 674	-6.66%	250 701	21.89%
% (A/B)	30.80%	41.00%	33.14%	28.96%	-29.38%	36.64%	26.51%

Source: Theewaterskloof Municipality AFS> Statement of Financial Performance and Appendix E (1)

## **Actual Service Charges + Property Rates vs Budgeted Services + Property Rates**

The trend analysis indicates that the service and Property Rates ratio has fluctuated year on year. There has been a shift in the overall ratio results from an under-collection of budget by 7.29 per cent in the 2008/09 financial year to an over-collection of budget by 0.2 per cent in the 2009/10 financial year.

### **Response by Finance:**

In February 2010 it was projected that an under-collection will realise at the end of 2009/2010. The Service Charges and Property Rates were than adjusted downward in the adjustment budget which resulted in the minor over-collection in 2009/2010.

The overall ratio results indicates that Theewaterskloof is preparing credible budgets for service charges and property rates, substantiated by the low variance of 0.2 per cent in the 2009/10 financial year. In the 2009/10 financial year the Actual Service Charges and Property Rates Revenue increased by R17.58 million (15.08 per cent) from the 2008/09 financial year.

The Municipality is currently preparing budgets that are credible for the service charges and property rates revenue and its billing system appears to be functioning properly, except for the inclusion of indigent households in outstanding debtors. The debtors that are currently payable to the Municipality includes indigent households who are not registered as such.

### **Response by Finance:**

The system only include indigent with conventional meter using more than the allowed subsidy, but this is being addressed through the installation of prepaid water and electricity meters.

## **Grants and Subsidies to Total Revenue**

The Municipality receives grants from National and Provincial Government; these grants are used to partially fund capital and operating activities.

The trend analysis indicates that the ratio has fluctuated year on year. The ratio has increased from 29 per cent in the 2008/09 to 36.7 per cent in the 2009/10 financial year. The table indicates that the utilised Grants and Subsidies increased by R32.29 million (54.2 per cent) from R59.56 million to R91.85 million in 2009/10 financial year while total revenue increased by R45.03 million (21.4 per cent) from R205.67 million to R250.70 million.

The main grants that contributed towards the increase in grants and subsidies were:

- Equitable share: Increased by R6.61 million (24.9 per cent) from R26.55 million to R33.17 million.
- Housing: Increased by R14.49 million (114.7 per cent) from R12.64 million to R27.12 million.
- MIG Funds: Increased by R10.84 million (91.5 per cent) from R11.85 million to R22.69 million.

The trend indicates that this Municipality is not reliant on grants and subsidies from Provincial and National Government for its day-to-day operations and this is also substantiated by an operating surplus of R9.12 million in 2009/10 (R10.24 million surplus: 2008/09).

### **Water & Electricity Distribution Losses**

Table 5 below shows the Municipality's distribution losses for water and electricity.

**Table 5 Water and Electricity Distribution Losses**

Description (R'000)	Audited Outcome						
	2006/07	2007/08	Growth %	2008/09	Growth %	2009/10	Growth %
(A) Total units of water lost	797	644	-19.2%	632	-1.86%	482	-23.73%
(B) Total units of water bought	3 625	3 579	-1.3%	3 794	6.01%	3 104	-18.19%
% (A/B)	21.99%	17.99%	-18.2%	16.66%	-7.42%	15.53%	-6.78%
<hr/>							
(A) Total units of electricity lost	4 441	4 169	-6.12%	6 002	43.97%	5 043	-15.98%
(B) Total unit of electricity bought	61 051	62 858	2.96%	63 309	0.72%	61 563	-2.76%
% (A/B)	7.27%	6.63%	-8.82%	9.48%	42.94%	8.19%	-13.60%

Source: *Theewaterskloof Municipality AFS> Appendix F or Enquiry from the Municipality*

### **Water**

In the absence of an acceptable norm for this ratio, trend analysis will be used as a basis of analysing and interpreting this ratio. However CA Ratings is using the benchmark of 15 per cent to 20 per cent. This can be used as a guideline.

The trend analysis indicates that the ratio has decreased year on year. The ratio slightly decreased from 16.7 per cent in the 2008/09 to 15.5 per cent in the 2009/10 financial year. This relatively high ratio impacts negatively on revenue losses, has an impact on cash flow and revenue streams to the Municipality. This may also be attributed to control deficiencies or challenges with the appropriate levels of maintenance to infrastructure/pipes.

### **Electricity**

In the absence of an acceptable norm for this ratio, trend analysis will be used as a basis of analysing and interpreting this ratio. However, CA Ratings is using the benchmark of 7 per cent. This can be used as a guideline. The trend analysis indicates that the ratio has fluctuated year on year. The ratio slightly improved by 1.3 percentage points from 9.5 per cent in the 2008/09 to 8.2 per cent in the 2009/10 financial year.

The Municipality should introduce initiatives to reduce the distribution losses amongst others; improving the quality of networks and the refurbishment of transformers and switchgear etc. and should strive to improve this ratio as it impacts on cash flow.

### **Summary and recommendation on Revenue Management ratios**

The analysis of the previous financial years indicates that the Municipality is not highly reliant on grants and subsidies for its day to day operations. The actual service charges and

property rates are aligned to the budget as this is substantiated by the low percentage variance of 0.2 per cent in the 2009/10 financial year.

The distribution losses that the Municipality incur are in fact potential revenue lost which could have been used for other operational activities. More stricter and stringent measure needs to be exercised in order to curb these losses.

### 2.3.2 Analysis of the 2011/12 MTREF Operating Revenue Budget

Table 6 below reflects growth trends of operating revenue budget over a period of 7 years.

**Table 6 Total Operating Revenue by Source**

Description	Aug-07	Sep-08	2009/10	Current Year 2010/11 (Jan '11 report due by 14 Feb '11)			2011/12 Medium Term Revenue & Expenditure Framework			% Average growth in total 2007/08 - 2013/14	% Average Y-T-Y growth 2010/11 - 2011/12
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Orginal Budget	Adjusted Budget	Actual YTD	Budget Year 2011/12	Budget Year 2012/13	Budget Year 2013/14	
Property rates	30,594	34,400	38,729	44,400	41,000	32,533	40,183	43,069	46,608	6.2	-9.5
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	0.0	0.0
Service charges - electricity revenue	26,790	31,996	37,931	48,254	48,204	29,433	57,054	68,988	83,424	17.6	18.2
Service charges - water revenue	21,810	30,080	31,259	35,552	35,835	21,009	37,690	40,159	43,409	10.3	6.0
Service charges - sanitation revenue	11,789	14,497	12,879	17,195	17,651	9,577	14,797	15,214	16,489	4.9	-13.9
Service charges - refuse revenue	12,591	14,949	13,146	18,215	18,290	10,716	14,085	14,410	15,633	3.1	-22.7
Service charges - other	1,724	2,541	1,546	1,493	1,506	836	1,493	1,612	1,741	0.1	0.0
Rental of facilities and equipment	1,587	1,460	2,004	1,850	1,780	1,252	1,534	1,657	1,789	1.7	-17.1
Interest earned - external investments	838	3,715	2,758	2,606	1,700	945	1,700	1,836	1,983	13.1	-34.8
Interest earned - outstanding debtors	7,256	8,105	6,352	6,600	8,000	4,254	6,000	6,480	6,998	-0.5	-9.1
Dividends received	-	-	-	-	-	-	-	-	-	0.0	0.0
Fines	6,276	5,152	3,592	5,074	4,073	1,657	5,074	5,479	5,918	-0.8	0.0
Licences and permits	55	76	62	75	75	41	63	68	73	4.2	-16.3
Agency services	1,544	1,415	1,974	1,700	1,730	1,057	1,815	1,961	2,118	4.6	6.8
Transfers recognised - operational	29,250	33,371	38,864	48,735	50,506	34,809	51,955	54,554	57,940	10.3	6.6
Other revenue	24,996	35,126	30,013	35,348	39,302	3,883	39,118	42,402	46,130	9.1	10.7
<b>Total Revenue (excl. capital transfers and contributions)</b>	<b>177,098</b>	<b>216,881</b>	<b>221,107</b>	<b>267,097</b>	<b>269,652</b>	<b>152,002</b>	<b>272,559</b>	<b>297,888</b>	<b>330,252</b>	<b>9.3</b>	<b>2.0</b>

Source: 2011/12 Draft Annual Budget A-Schedules (A4-FinPerf-Re)

The above table indicates that the operating revenue has been increasing over the past three years mainly due the steady increase in collection of service charges, property rates and operational transfers recognised. In January 2011 the Municipality adjusted the 2010/11 operating revenue budget upwards with 0.9 per cent increase. The increase was mainly due the incorporation of 2009/10 roll-over funds and minor changes to the anticipated operating revenue.

The January 2011 IYM indicates a year-to-date performance for 56.4 per cent of the 2010/11 adjusted budget. If this trend in collection continues, the Municipality is likely to collect R260.58 million at the end of the financial which will be 97.6 per cent collection rate.

The Municipality established a Costing Unit in partnership with P3 consortium. This unit has commenced with Tariffs Modelling and tariff Re-engineering, using "zero-based" approach to improve tariff-setting. From this project, additional income sources were identified like escorting services for funerals, parking fees and building plan fees, which were not part of the 2010/11 tariff list and these must be included when the final budget is tabled.

#### **Response by Finance:**

It must be noted that the Municipality established a Costing Unit. Working in partnership with P3 implementing tariff modelling. Other approaches was also used such as the cost-benefit analyses and Debtors data cleansing

#### **Property Rates Revenue**

Property Rates indicates a 9.5 per cent decrease from the 2010/11 original budget of R44.4 million and 2 per cent decrease from the 2010/11 adjusted budget. The performance, as at the end of January 2011, was 79.3 per cent of the 2010/11 adjusted budget. The root cause for the 2010/11 adjustment is mainly due to the fact that supplementary valuation was less than was originally anticipated.

The Municipality could not indicate whether the 2011/12 Property Rates yearly decrease is due to the data cleansing project which is currently in progress and aim to ensure that all consumers and fixed property owners appear in the debtors system, that all charges are levied and ensure that appropriate tariffs are charged.

#### **Response of Finance:**

The decrease in property rates budget for 2011/2012 is because of the new method of account being applied, GRAP. This method implies that indigent subsidies should no longer show as expenditure but as income foregone. A contributing factor is also the queries of farmer regarding prior years valuation and address and also the ownership of property in Genadenda.

The January 2011 IYM indicated that property rates outstanding debtors amounted to R22.5 million of which R21.63 million or 96.1 per cent were debtors in the category of 90 days and more. The Municipality indicated that it is currently busy with data cleaning project which will have an effect on the category of over 90 days.

#### **Electricity**

The 2011/12 budget has increased by 18.2 per cent from the original budget of R48.25 million in 2010/11 financial year and increased by 18.4 per cent when compared to the adjusted budget of R48.2 million.

The performance, as at the end of January 2011, was 61 per cent of the original budget and 61.1 per cent of the 2010/11 adjusted budget. The high growth is influenced by the tariffs that have been approved by the National Electricity Regulator of South Africa (NERSA). The draft 2011/12 tariff for electricity tariff shows a year-on-year decrease from 21 per cent in 2010/11 to 20.38 per cent in 2011/12. This decrease is consistent with MFMA Circular No. 55 guideline from NERSA.

Because of pre-paid meters being rolled out to all households in the 2011/12 financial year, Tariff C (residential) has added a two extra category since 2010/11, which is (c) Pre-paid

meters and (d) Life line tariff for indigents: Pre-paid meters limited to 15 Amps and customer on indigent list.

The Mayor's speech indicates that the Indigents Subsidy on Electricity will be increased from 50KwH per month to 60KwH per month this to be funded from the equitable share.

## **Water**

The 2011/12 budget has increased by 6 per cent from the original budget of R35.55 million and 5.2 per cent increase of the 2010/11 adjusted budget.

The 2011/12 tariff list changes includes the pre-paid meters category indicating that free installation of pre-paid meters will be determined by the criteria that is prepared by council. The 2011/12 draft budget indicates that the Green Drop Assessment generated an overall score of 30 per cent which was due to no qualified Process Controller on site, compliance with SAN 241, failure response management and the Asset Register that lacked information.

## **Sewerage**

The 2011/12 budget has decreased by 13.9 per cent from the original budget of R17.19 million and 16.2 per cent decrease of the adjusted budget in 2010/11 financial year. The decrease has been influenced by the fact that in the 2011/12 financial year, the Municipality intends to connect sewerage system free of charge for consumers who are currently making use of Septic/Conservancy Tanks and wish to connect to the water-borne sewer system (where the infrastructure is available).

## **Refuse removal**

The 2011/12 budget has decreased by 22.7 per cent from the original budget of R18.22 million and 23 per cent decrease of the adjusted budget in 2010/11 financial year. The decrease is due to Gardening Business tariff which is up to 1 ton per request and trailer per request.

## **Government and other grants**

The hard copy of the 2011/12 draft budget which was tabled in Council contains indicative amounts before the new Division of Revenue Bill was tabled in the National Parliament but an electronic A1 budget schedule includes the final allocations to the Municipality. Grants and subsidies are in line with the published information by National and Provincial Governments.

### **2.3.3 Public Finance Policy Research and Modelling**

Arriving at an appropriate set of tariffs for trading services prove to be a complex matter. This involves obtaining a better understanding of municipal own revenue with a particular focus on Municipality's tariff policies and method of calculation. As indicated in National Treasury's Municipal Budget Circular 55 for the 2011/12 MTREF, the setting of credible and sustainable tariffs need to reflect labour and other input costs of services, local economic conditions and the affordability of services, while taking into consideration the Municipality's indigent policy.

Municipalities are encouraged to set tariffs for utility services that reflect their cost and scarcity value in order to encourage more efficient use of these services while simultaneously generating the required revenue to fund the maintenance, renewal and expansion of the infrastructure necessary to provide the services.

It would appear that the Municipality has looked at ways of aligning tariffs more closely with the costs incurred to deliver that service, thereby make sure the tariff structure is sustainable when demand for the service changes. A better understanding of the cost management requirements is needed including repairs and maintenance as well as new infrastructure developments.

The Provincial Treasury's Public Finance Policy Research and Modelling directorate was recently introduced at the Chief Financial Officers Forum of the 4<sup>th</sup> of March 2011. The unit's work is focused on researching municipal financing with a specific focus on the intergovernmental fiscal transfer system and municipal own revenue generation.

### **Exploratory Analysis on Tariff Sensitivity and Affordability**

Preliminary work has commenced on examining how sensitive the revenue from different trading services are to changes in municipal tariffs and tariff policy.

The purpose of sensitivity analysis is to indicate how sensitive revenue is for a given change in price and will give an indication of citizen's willingness to pay and affordability. Such an analysis is useful from a planning perspective in providing an indication to municipalities regarding the ability of consumers to absorb tariff increases.

At this stage, the sensitivity analysis has been done at the aggregate level and does not distinguish between different categories of consumers. As a result, a large increase in price for a relatively unimportant consumer category in revenue terms will carry just as much weight as other more important consumer categories. Furthermore, the revenue is not only linked to consumption but also includes revenue from other services such as connection fees. Lastly, a detailed sensitivity analysis would need to take into account potential revenue versus revenue foregone due to non-payment.

#### **Response by Finance:**

Tariff sensitivity and affordability was addressed in 3 ways:

1. Tariff modelling
2. Tariff re-engineering
3. Service Level Agreements

In all of the above mentioned ways the following aspects was inspected:

1. Affordability versus level of services
2. Job losses
3. Indigents
4. Economic climate ect.

Despite these limitations, preliminary results indicate that property rates and sanitation has an elasticity above 1, which means that these two items are less sensitive to tariff increases. The result for property rates is expected given that consumers cannot alter their consumption over a short period of time, with the exception of defaulting on payment. Preliminary work on the other trading services suggests that consumers are sensitive to tariff changes and are likely to adjust their consumption patterns. For example, water has an elasticity of less than 1. This could be due to the introduction of prepaid water meters as a measure to lower consumption and bad debts.

A number of municipalities including this Municipality provide an analysis of the anticipated impact of tariff changes for large and small households. Such an analysis is important in providing an indication of the anticipated cost implications of tariff changes for different categories of households. From the analysis provided by the Municipality, it is clear that costs increases outstrip increases in average income, with the result that municipal residents are facing increasingly higher tax burdens. If the trend by the Municipality and municipalities in general, continue to increase tariffs by more than general salary increases it will result in tariffs becoming unaffordable.

Two factors play a large role in the overall sustainability of the Municipality to provide these services. The first is the average household income which affects the ability of the household to pay, and the number of indigent households residing in the Municipality. The ability of the consumers to pay the tariff is vital in funding the expenditure needed to carry out a good service delivery plan. If the number of consumers who are unable to pay the tariff charge increases then the pool of consumers to draw revenue from shrinks. This will put additional pressure on the consumers who are able to pay.

The second factor is aligning tariff charges to expenditure costs. This will mean that tariffs will be reflecting the cost of providing that particular service and consumers can make the direct link. If consumers have a better understanding of the tariff structures and why they are necessary, they are more likely to pay for that service.

## **Way forward**

Provincial Treasury is in the process of liaising with selected municipalities in developing a project proposal and methodology in order to best assist municipalities regarding tariff policy formulation. The project is specifically focused on engaging municipalities regarding the credibility and sustainability of their tariffs.

### **2.3.4 Funding Compliance Assessment**

Table 7 below reflects the funding compliance ratios over a period of 7 years. Funding compliance is an 'iterative' process, required to be initially undertaken as a self-assessment by municipalities as part of the budget development process.

**Table 7 Funding compliance ratios**

Description	MFMA section	2007/8	2008/9	2009/10	Current Year 2010/11				2011/12 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2011/12	Budget Year 2012/13	Budget Year 2013/14
<b>Funding measures</b>											
Cash/cash equivalents at the year beg - R'000	18(1)b	20,319	31,071	7,362	(45,397)	(45,397)	(45,397)	7,362	5,002	11,670	20,039
Cash + investments at the yr end less applications - R'000	18(1)b	12,245	12,302	2,924	(2,361)	(2,382)	(2,382)	-	(6,230)	(102)	29,403
Cash year end/monthly employee/supplier payments	18(1)b	1.4	2.1	0.4	(2.6)	(2.5)	(2.5)	0.5	0.3	0.6	0.9
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	18,645	24,445	26,807	56,076	57,523	57,523	(36,695)	60,975	63,769	70,584
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	16.0%	(0.5%)	15.9%	(7.6%)	(6.0%)	(4.5%)	(4.3%)	5.0%	7.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	132.8%	107.2%	125.3%	95.5%	95.4%	95.4%	(14%)	96.4%	99.8%	90.6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	10.5%	18.9%	13.3%	3.4%	4.4%	4.4%	0.0%	2.4%	2.4%	2.3%
Capital payments % of capital expenditure	18(1)c;19	99.8%	101.1%	61.4%	100.0%	101.2%	101.2%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	117.7%	93.6%	0.3%	74.0%	91.1%	91.1%	0.0%	76.3%	95.1%	100.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a								102.6%	100.0%	104.4%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	30.0%	23.0%	(33.0%)	0.0%	0.0%	(100.0%)	41.7%	1.4%	100.4%
Long term receivables % change - incr(decr)	18(1)a	N.A.	(34.1%)	(52.4%)	2.8%	0.0%	0.0%	(100.0%)	(68.2%)	(43.0%)	(43.0%)
R&M % of Property Plant & Equipment	20(1)(vi)	5.7%	5.5%	6.2%	4.9%	4.4%	4.4%	0.0%	4.4%	3.9%	0.0%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.0%	46.3%	0.0%

Source: 2011/12 Draft Annual Budget A-Schedules (SA 10)

### **Property Rates/Service charge revenue % increase less macro inflation target**

The outcome, as indicated in the table above, indicates that the increase is below the macro inflation target.

#### **Response by Finance:**

Included in the calculation above for 2011/2012 is the cost of indigents, which is treated as income foregone according to GRAP, has been deducted from the services charges. Therefore the increase is reflected as being below the macro inflation target.

### **Cash receipts % of ratepayer and other revenue**

The Municipality intends to collect 95.4 per cent of its revenue during the current financial year, as reflected in the full year forecast of Table A4 of A1 Schedule, which is likely given the Municipality's installation of pre-paid meters to households and the installation will be completed by the end of 2011 or beginning of 2012.

The projections of 96.4 per cent, as indicated in the table above, are not in line with the 95 per cent target for debt collection presented on page 38 of the 2011/12 Draft Budget which was tabled in the Council.

#### **Response by Finance:**

The 96.4% collection percentage is a calculated projection for 2011/2012 within the A1 Schedule according to the amount budgeted and included in the schedule. The 95% is a target that the municipality sets to achieve.

## **Key Findings**

The effect of the Costing Unit and P3 Partnership and Tariff Re-engineering shows a positive difference in electricity tariff which can be identified by all the specific cost-recovery categories in the 2011/12 draft tariff list. The Mayor's speech indicates that the pre-paid electricity sales have been upgraded to Conlog to ensure a more reliable service delivery. All the tariffs are projected to increase at a rate that is within the inflation target of 3 - 6 per cent except for electricity.

Water and electricity losses, as reflected in Table 5, will have a negative impact if these losses are not reduced and managed well as that will likely result to unrealised revenue in the future years.

### **Response by Finance:**

The problem with water theft (bypassing and illegal connections) especially in Genadendal is that Police and the Justice System is letting us down, because this is seen as low priority cases.

The Green Drop Assessment outcome identifies some problems that attributed to the low score of 30 per cent.

### **Response by Technical Services:**

#### **Root causes**

The Municipality indicated that the revision of tariffs has been neglected for many years and services rendered vary and the functions and some activities were not necessarily correctly set out/described in the tariff policy and tariffs.

Water and electricity losses are probably as a result of water leaks that cannot be easily identified and theft, especially illegal connections of electricity.

### **Response by Technical Services:**

The low score of the Green Drop Assessment was due to no qualified process controller on site, compliance with SAN 241, failure response management and efficacy of asset manager.

### **Response by Technical Services:**

#### **Recommendations**

When dealing with Electricity tariffs the Municipality needs to take note of the MFMA Circular No. 55, which indicates that NERSA has set out an earlier timetable for receiving and reviewing tariff applications with a view to complete the process by the end of March 2011.

## 2.4 OPERATING EXPENDITURE

### 2.4.1 Financial Health Assessment

#### Operating Expenditure Ratios

Table 8 below analyses actual operating expenditure against budgeted operating expenditure and also employee costs against the total operating expenditure.

**Table 8 Operating expenditure ratios**

Description (R'000)	Audited Outcomes						
	2006/07	2007/08	Growth %	2008/09	Growth %	2009/10	Growth %
(A) Total Actual Expenditure	183 194	165 737	-9.53%	199 046	20.10%	242 110	21.64%
(B) Total Budgeted Expenditure	206 671	260 394	25.99%	230 374	-11.53%	269 222	16.86%
(C) Variance (R'000) A-B	<b>-23 477</b>	<b>-94 657</b>	303.19%	<b>-31 328</b>	-66.90%	<b>-27 112</b>	-13.46%
Variance (%) C/B	<b>-11.36%</b>	<b>-36.35%</b>	220.01%	<b>-13.60%</b>	-62.59%	<b>-10.07%</b>	-25.95%
<hr/>							
(A) Employee Costs	49 910	62 934	26.09%	75 596	20.12%	90 255	19.39%
(B) Total Actual Expenditure	183 194	165 737	-9.53%	199 046	20.10%	242 110	21.64%
% (A/B)	<b>27.24%</b>	<b>37.97%</b>	39.38%	<b>37.98%</b>	0.02%	<b>37.28%</b>	-1.84%

#### Total Operating Expenditure

The acceptable norm for Operating Expenditure ratio is that actual expenditure should not be less than 90 per cent of budgeted expenditure and furthermore actual expenditure should not exceed the expenditure budget. The trend analysis indicates that the ratio has fluctuated year on year. There has been an improvement of 3.5 percentage points in the overall ratio results from an under-spending of 13.6 per cent in the 2008/09 financial year to an under-spending of 10.1 per cent in the 2009/10 financial year.

The following votes over-spent their budgets and the explanations provided in Annexure E (1) appears not to be credible:

- Budget & Treasury: Over-spent the budget by R2.21 million (17.2 per cent) due to budget for debt impairment being insufficient.
- Waste Management: Over-spent the budget by R3.35 million (19 per cent) due to budget for debt impairment being insufficient.
- Waste Water Management: Over-spent the budget by R2.2 million (11.8 per cent) due to budget for debt impairment being insufficient.

#### Response by Finance:

It must be noted that debt impairment is a non cash item according to GRAP and does not affect the actual cash position, therefore the spending is above board.

The following vote under-spent their budget and the explanation was provided in Annexure E (1):

- Corporate Services: Under-spent the budget by R26.36 million (32.36 per cent).

Overall trend analysis indicates that the Municipality is not within the desired spending levels, as evidenced by the individual votes that either over/under-spent their budgets.

It is recommended that the Municipality apply effective strategies in terms of spending its operating budget over the financial year.

### **Employee Cost**

In the absence of an acceptable norm for this ratio, trend analysis will be used as a basis for analysing and interpreting this ratio.

The trend analysis indicates that the ratio has fluctuated year on year. In the 2009/10 financial year, the ratio slightly decreased by 0.7 percentage points from 37.98 per cent to 37.28 per cent due to increases in the personnel costs by R14.66 million or 19.39 per cent from R75.6 million to R90.26 million and Operating Expenditure increased by R43.06 million (21.64 per cent) from R199.05 million to R242.11 million.

The Municipality's employee related costs and councillors' remuneration is the largest cost item due to the municipal services that are labour intensive. When comparing the employee related costs and councillors remuneration to the annual revenue (excluding capital and operating grants revenue) the ratio is at 56.82 per cent in the 2009/10 financial year (51.74 per cent in the 2008/09), indicating that the personnel cost is still manageable and is within the reasonable spending levels.

#### **Response by Finance:**

This percentage is also increased due to the narrow income base mainly as electricity is supplied to less than 50% of our consumers.

### **Summary and recommendation on Expenditure Management ratios**

The actual expenditure appears not to be in line with the budgeted expenditure. The Municipality should continue to apply strategies that will enable it to manage its expenditure effectively yet making an impact in terms of accelerated service delivery.

The employee costs are managed responsibly as they are within the acceptable levels.

## 2.4.2 Analysis of the 2011/12 MTREF Operating Expenditure Budget

Table 9 below reflects growth trends of operating expenditure budget over a period of 7 years.

**Table 9 Operating Expenditure**

Description	Aug-07	Sep-08	2009/10	Current Year 2010/11 (Jan '11 report due by 14 Feb '11)			2011/12 Medium Term Revenue & Expenditure Framework			% Average growth in total 2007/08 - 2013/14	% Average Y-T-Y growth 2010/11 - 2011/12
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Actual YTD	Budget Year 2011/12	Budget Year 2012/13	Budget Year 2013/14	
Employee related costs	57,456	68,968	82,438	88,911	92,132	51,828	100,810	109,379	119,223	11.0	13.4
Remuneration of councilors	4,886	5,437	5,655	6,329	6,082	3,502	6,630	7,227	7,877	7.1	4.8
Debt impairment	11,190	24,526	18,277	5,688	7,158	3,318	4,034	4,356	4,705	-11.6	-29.1
Depreciation & asset impairment	2,414	17,802	20,543	22,136	22,136	1,982	23,120	24,276	25,489	40.0	4.4
Finance charges	3,977	8,535	10,092	10,945	10,856	4,628	14,303	15,442	16,833	22.9	30.7
Bulk purchases	17,014	22,526	25,913	35,476	34,129	18,418	42,873	52,245	63,878	20.8	20.9
Other materials	-	-	-	-	-	-	-	-	-	0.0	0.0
Contracted services	8,349	8,538	8,653	13,519	14,006	4,664	15,601	16,660	17,792	11.4	15.4
Transfers and grants	-	-	-	-	-	-	-	-	-	0.0	0.0
Other expenditure	114,701	60,589	75,438	75,285	78,574	23,718	63,595	63,249	68,287	-7.1	-15.5
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	0.0	0.0
<b>Total Expenditure</b>	<b>219,986</b>	<b>216,921</b>	<b>247,009</b>	<b>258,291</b>	<b>265,073</b>	<b>112,058</b>	<b>270,966</b>	<b>292,833</b>	<b>324,085</b>	<b>5.7</b>	<b>4.9</b>

Source: 2011/12 Draft Annual Budget Schedules: 'A4 Fin Perf-Re' of Municipality

Operating expenditure budget indicates an average annual growth of 5.7 per cent over the 7 year period between 2007/08 and 2013/14 financial years while the 2011/12 budget shows a growth of 4.9 per cent from the original budget and 2.2 per cent of the adjusted budget of the 2010/11 financial year. The 2010/11 operating expenditure budget has been adjusted upwards with 2.6 per cent because of the implementation of TASK and the increase in overtime. The contract services increased because of budgeting of SDF and the increase in the MVS (traffic fines) budget.

### **Response by Finance:**

It must be noted that overtime did not increased in the adjustment budget, but was adjusted because of under budgeting.

The January 2011 IYM indicates a year-to-date performance for 43.4 per cent of the original budget and 42.3 per cent adjusted budgeted. The Municipality indicated that the root cause for the slow spending was because of savings on vacancies and some journal entries, including depreciation, that are done at year end.

Employee related costs forms the greater part of operating expenditure at 37.2 per cent followed by other expenditure at 23.5 per cent in the 2011/12 draft budget. Despite positive growth trends in almost all the items of the 2011/12 operating expenditure, other expenditure and debt impairment have growth of -15.5 per cent and -29.1 per cent respectively. This can be an indication that the Municipality intends to collect more revenue given the strategies that have been highlighted for debt management.

### **Response by Finance:**

The negative growth in other expenditure is due to the indigent expenditure being handled as income forgone according to GRAP and no longer form part of other expenditure.

Debt Impairment shows negative growth due the municipality's commitment to improve debt collection and in turn less provision have to be made for bad debts.

### **Employee related Costs**

The 2011/12 budget has increased by 13.9 per cent from the original budget of R88.91 million in 2010/11 financial year and increased by 9.4 per cent when compared to the adjusted budget of R92.13 million.

Employee related costs have doubled since 2007/08 financial year, an indication that the Municipality acknowledges one of South African Government's priorities which is to invest in human and physical capital to ensure long-term growth. The budgeted costs are 37.2 per cent of the total draft budget which is in line with the ratio of employee costs as reflected in Table 9 above.

### **Remuneration of Councillors**

The 2011/12 budget has increased by 4.8 per cent from the original budget of R6.33 million in 2010/11 financial year and increased by 18.8 per cent when compared to the adjusted budget of R3.5 million.

The 2011/12 draft budget percentage increase is negotiated and agreed by SA Local Government Bargaining Council and the council remuneration is expected to increase by 10 per cent, as per the municipal budget document.

#### **Response by Finance:**

The increase in excess of 10% is because 1 wards maybe added which require 2 extra councillors to be appointed. The Council remuneration is also determined by Remuneration of Public Office Bearer Act by Parliment.

### **Bulk purchases**

The 2011/12 budget has increased by 20.9 per cent from the original budget of R35.48 million in 2010/11 financial year and increased by 25.6 per cent when compared to the adjusted budget of R34.13 million. The MTREF indicates an average annual growth of 14.2 per cent and is high because of high increase in electricity tariffs.

The 2011/12 draft bulk purchases consist of R35.78 million or 83.5 per cent for electricity and R7.09 million or 16.5 per cent for water bulk purchases.

### **Other expenditure**

The 2011/12 budget has decreased by 15.5 per cent from the original budget of R75.29 million in 2010/11 financial year and by 19.1 per cent when compared to the adjusted budget of R78.57 million. The MTREF indicates an average annual growth of 2.4 per cent.

**Response by Finance:**

The negative growth in other expenditure is due to the indigent expenditure being handled as income forgone according to GRAP and no longer form part of other expenditure.

**Repairs and Maintenance** amounts to R17.34 million in the 2011/12 draft budget and contributes 27.3 per cent to "Other" expenditure of R63.59 million and 6.4 per cent of the total operating expenditure budget of R270.97 million.

**Debt impairment expense % of billable revenue**

The Municipality has projected to collect 96.4 per cent of its revenue for the 2011/12 financial year and is making a provision for debt impairment of 2.4 per cent of the total billable revenue.

**Key Findings**

The Municipality's draft operating budget is credible based on the information that was provided to Provincial Treasury but the previous years' ratios in Table 9 indicates a trend of under spending in the operating expenditure budget.

Through the engagements with the Municipality, the impact of unfunded mandates contributes to the Municipality's financial burden.

The 2011/12 draft budget indicates that the Municipality did an assessment and discovered that serious repairs and maintenance and renewal backlog exists in relation to the Municipality's infrastructure.

The provision that has been made for debt impairment does not seem to be sufficient given the collection rate of 96.4 per cent.

**Response by Finance:**

The amount for Other Service charges and Rental of Facilities and Equipment adds up to R3,027 million which provision is not made for as this is not income that is levied on a debtors account but is recognized as revenue as it realises, thus making provision for impairment not necessary. This makes up the difference between the billable amount the collection of 96.4% and 2.4% debt impairment. It must also be noted that at the end of June 2010 the accumulated provision already stands at R84,562,223.

**Root cause**

There might be a possibility that less provision for repairs and maintenance has resulted to the current backlogs. Adding to that can be the ageing assets that are in the Municipality's asset register.

### **Recommendations**

The Municipality must reduce backlogs in repairs and maintenance to improve the financial sustainability, the reliability and quality of the municipal services. This will also enhance the Municipality's revenue and contribution to economic growth.

## **2.5 CAPITAL REVENUE (SOURCES OF FUNDING)**

### **2.5.1 Financial Health Assessment**

#### **Debt Management Ratios**

Table 10 below shows the debt management ratios for the Municipality.

**Table 10 Debt Management Ratios**

Description (R'000)	Audited Outcome						
	2006/07	2007/08	Growth %	2008/09	Growth %	2009/10	Growth %
(A) Capital Charges	4 667	5 456	16.91%	9 699	77.77%	13 630	40.53%
(B) Total Actual Expenditure	183 194	165 737	-9.53%	199 046	20.10%	242 110	21.64%
% (A/B)	2.55%	3.29%	29.22%	4.87%	48.02%	5.63%	15.53%
(A) Total Debt	39 909	65 124	63.18%	88 089	35.26%	82 824	-5.98%
(B) Total Operating Revenue	132 643	129 427	-2.42%	146 116	12.89%	158 856	8.72%
% (A/B)	30.09%	50.32%	67.24%	60.29%	19.81%	52.14%	-13.52%
(A) Total Liabilities	56 420	104 147	84.59%	151 191	45.17%	148 129	-2.03%
(B) Total Assets	78 026	283 392	263.20%	344 892	21.70%	350 949	1.76%
% (A/B)	72.31%	36.75%	-49.18%	43.84%	19.28%	42.21%	-3.72%
(A) Current Assets (less inventory)	37 136	38 042	2.44%	54 107	42.23%	35 698	-34.02%
(B) Current Liabilities	23 967	35 392	47.67%	48 912	38.20%	48 645	-0.55%
% (A/B)	154.95%	107.49%	-30.63%	110.62%	2.92%	73.38%	-33.66%

#### **Capital Charges to Total Expenditure**

In the absence of an acceptable norm for this ratio, trend analysis will be used as a basis for analysing and interpreting this ratio. For the purpose of calculating this ratio, only interest + principal payable to long term borrowing and finance leases are considered.

The trend indicates that the ratio has increased year on year. The ratio has increased by 0.76 percentage points from 4.87 per cent to 5.63 per cent in 2009/10 financial year. The weakening of the ratio can partly be attributed to the capital charges which increased by R3.93 million (40.53 per cent) while total expenditure increased by R43.06 million (21.64 per cent) in the 2009/10 financial year.

It is noted that no new loans were raised during the 2009/10 financial year. The manner in which the Municipality manages or accesses new debt will have an impact on the solvency

and long-term viability of future Council. The Municipality's debt levels to be monitored to ensure that there is consistent improvement in its revenue collection.

The ability to generate new sources of revenue will guard the Municipality against dependency on external borrowing to finance its capital projects.

### **Total Debt to Total Revenue**

In the absence of an acceptable norm for this ratio, trend analysis will be used as a basis of analysing and interpreting this ratio.

The trend analysis indicates that the ratio has fluctuated year on year. The ratio has improved by 8.15 percentage points from 60.29 per cent in the 2008/09 to 52.14 per cent in the 2009/10 financial years and this can be attributed to the decrease of total debt by R5.27 million (5.98 per cent) from R88.09 million to R82.82 million, while operating revenue increased by R12.74 million (8.72 per cent) from R146.12 million to R158.86 million. The main contributing factor to the decrease in total debt is the line item Long term liabilities which decreased by R5 million (6.01 per cent) in the 2009/10 financial year.

The ratio result indicates that there is currently an assurance that sufficient annual revenue will be generated by the Municipality to service its debt. The Municipality should devise strategies of improving its operating revenue i.e. improvement in the revenue collection.

### **Total Liabilities to Total Assets**

In the absence of an acceptable norm for this ratio, trend analysis will be used as a basis of analysing and interpreting this ratio.

The trend analysis indicates that the ratio has fluctuated year on year. The ratio slightly improved by 1.63 percentage points from 43.84 per cent in the 2008/09 to 42.21 per cent in the 2009/10 financial year. The improvement can be attributed to Total Liabilities which decreased by R3.06 million (2 per cent) while Total Assets increased by R6.06 million (1.76 per cent) in the 2009/10 financial year. For the 2009/10 financial year, the Municipality had R2.37 of assets for every R1 of liabilities.

The net asset position of the Municipality is in a sound position indicating that the municipal assets are able to cover the liabilities.

### **Current Assets (Less Inventory) to Current Liabilities**

In the absence of an acceptable norm for this ratio, the trend will be used as the basis of analysis and interpretation of this ratio.

The trend analysis indicates that the ratio has fluctuated year on year. The ratio deteriorated from 1.11:1 in the 2008/09 to 0.73:1 in the 2009/10 financial year. Current assets (less inventory) decreased at a higher rate of 34.02 per cent while current liabilities decreased by 0.55 per cent in the 2009/10 financial year.

The ratio results, currently at 0.73:1, indicate that the Municipality's short term liquid assets cannot cover the short term obligations. The major contributing factor towards the

deteriorated ratio in the 2009/10 financial year was cash and cash equivalents which decreased by R23.71 million from R31.07 million to R7.36 million by the end of 2009/10 financial year due to the call investment deposits decreased from R25.48 million to R4.99 million.

It is clear that the Municipality cannot cover its short term obligations using its short term liquid assets.

#### **Response by Finance:**

It must be noted that as indicated above the cash and equivalents decreased as well as call investment deposits which was used to cover capital expenditure, because the tender for the loans for 2009/2010 was awarded, but the money was not yet received. The money was received early in 2010/2011 financial year. Taken the risk analysis into consideration using our own funds to fund capital expenditure maybe risky, but the probability that the loans not realising within the financial year is slim. This is the first time that this has happened.

#### **Summary and recommendation on Debt Management Ratios**

The Municipality does not have substantial external borrowing, hence its healthy net asset position. However, the Municipality's short term liquid assets pose a serious concern as it is unable to cover its short term obligations. The Municipality must put strategies in place to enhance its revenue base.

It is recommended that the Municipality closely monitor its debt levels.

#### **2.5.2 Analysis of the 2011/12 MTREF Capital Sources of Finance**

Table 11 below represents the sources of funding that will be used to finance capital projects for the 2011/12 MTREF.

**Table 11 Total Capital Funding**

Description R thousand	Aug-07 Audited Outcome	Sep-08 Audited Outcome	2009/10 Audited Outcome	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			% Average growth in total 2007/08 - 2013/14	% Average Y-T-Y growth 2010/11 - 2011/12
				Original Budget	Adjusted Budget	Actual YTD	Budget Year 2011/12	Budget Year 2012/13	Budget Year 2013/14		
<b>Funded by:</b>											
National Government	27,940	12,158	25,029	17,940	22,846	9,807	22,577	26,235	27,678	-0.1	25.8
Provincial Government	33,592	12,637	27,435	29,330	30,036	19,177	36,805	32,480	36,738	1.3	25.5
District Municipality			219		62						
Other transfers and grants											
<b>Transfers recognised - capital</b>	<b>61,533</b>	<b>24,794</b>	<b>52,683</b>	<b>47,270</b>	<b>52,943</b>	<b>28,984</b>	<b>59,382</b>	<b>58,715</b>	<b>64,416</b>	<b>0.7</b>	<b>25.6</b>
Public contributions & donations											
Borrowing	16,940	27,127	18,525	24,845	19,642	7,688	21,285	10,770	13,550	-3.1	-14.3
Internally generated funds	4,187	8,533	2,739	10,936	9,458	983	6,602	560		-100.0	-39.6
<b>Total Capital Funding</b>	<b>82,659</b>	<b>60,454</b>	<b>73,947</b>	<b>83,052</b>	<b>82,043</b>	<b>37,655</b>	<b>87,269</b>	<b>70,045</b>	<b>77,966</b>	<b>-0.8</b>	<b>5.1</b>

Source: 2011/12 Draft Annual Budget Schedules: 'A5-Capex' of Municipality & January 2011 Municipal IYM

Sources of capital funding indicate an average annual growth of -0.8 per cent over the 7 year period between 2007/08 and 2013/14 financial years. The 2011/12 budget shows a

growth of 5.1 per cent from the original budget of the 2010/11 financial year and 6.4 per cent of the adjusted budget of the 2010/11 financial year.

The Municipality has adjusted its 2010/11 capital budget twice and the first adjustment took place on 26 August 2010, from the original budget of R83.05 million to an adjusted budget of R80.41 million. The root cause for this adjustment was due to the inclusion of unspent conditional grants and rectification of incorrect roll-over funds that were included in the 2010/11 original budget when it was approved by the Council.

The second adjustment took place on 25 January 2011, from the adjusted R80.41 million to R82.04 million. The root cause for this increase was mainly due to the incorporation of roll-over funds of R33 783 and an increase in capital revenue with R1.59 million.

The budget of two of the three sources of finance shows a year-on-year decrease whilst the overall 2011/12 budget for sources of revenue increased by 5.1 per cent. The positive year-on-year growth for 2011/12 financial year is mainly influenced by increase in government transfers.

The Vote analysis reveals that the Municipality plans to prioritise Waste Management and Waste Water Management through reducing the budgets of Roads Transport and Water. The 2011/12 draft budget also shows that the Municipality has budgeted for Votes (Executive & Council, Planning and Development and Waste Management) which were not budgeted for in the 2010/11 financial year.

### **Transfers recognised – Capital**

The draft capital budget for government transfers has increased by 25.6 per cent from the original budget of R47.27 million and by 12.2 per cent when compared to the adjusted budget of R52.94 million.

The highest contributor within the government transfers is the Provincial Government, which consist of R33.98 million for housing projects and R2.83 million for maintenance of proclaim roads.

Of the National Government transfers of R22.58 million, the major portion is MIG which amounts to R21.58 million. The MIG performance, as at the end of January 2011, amounted to 44.9 per cent of the adjusted budget of R22.85 million. If this performance trend continues, only 77 per cent is likely to be spent at the end of the 2010/11 financial year.

### **Borrowing**

External Loans indicates a 14.3 per cent decrease from the original budget of R24.85 million and 8.4 per cent increase when compared to the adjusted budget of R19.64 million. Borrowing is the second largest contributor to the sources of capital revenue with R21.29 million or 24.4 per cent of the total draft 2011/12 capital budget.

External Loans will finance 26 capital projects for the 2011/12 financial year and 18 of the 26 projects will be financed through borrowings. Of the 18 projects, 16 projects will be 100 per

cent financed through borrowing and the other two will be co-financed with the MIG transfers.

The performance of 39.1 per cent as at the end of January 2011 is of a concern because the Municipality has budgeted for a loan amount of R21.29 million in the 2011/12 financial year. The Municipality, however, has indicated that it first use its own funds in order to minimise bank interest on the first year in which the loan is taken.

Some of the projects like the funding of installation of pre-paid Water Meters/Water Demand Management for R5.2 million and the electricity pre-paid meters for R3 million will assist in maximising revenue collection and reduction of debtors.

### **Internally generated funds**

The 2011/12 budget has decreased by 39.6 per cent from the original budget of R10.94 million in 2010/11 financial year and decreased by 30.2 per cent when compared to the adjusted budget of R9.46 million. The performance, as at the end of January 2011, was 9.5 per cent of the original budget and 10.4 per cent of the 2010/11 adjusted budget. This level of performance could be the reason the Municipality has budgeted less for this item.

The draft 2011/12 Internally generated funds budget consists of the following:

- Capital Development Fund: R2.150 million
- Surplus case: R3.152 million
- Roll-overs 2010/2011: R1.3 million

The 2011/12 draft Reserve Policy reports that Capital Replacement Reserve (CRR) is to be utilised for future capital expenditure from own funds and may not be used for maintenance or other operating expenditure.

The CRR must be cash-backed and the Accounting Officer is hereby delegated to determine the contribution to the CRR during the compilation of the Annual Financial Statements.

### **Key Findings**

The Municipality is becoming increasingly dependent on government grants to fund its capital projects as the grants portion is projected to reach 83 per cent in 2012/13 financial year.

The budgeted amount for borrowing will increase the cumulative interest expense over the MTREF period as Table 11 indicates high growth trends over the previous financial years in capital charges.

### **Root cause**

More transfers are made available by government based on needs of the Municipality.

## **Recommendation**

The Municipality can consider that borrowings are only drawn down once the expenditure has been incurred against the particular project. That unspent borrowing is ring-fenced and reconciled on a monthly basis to ensure that fruitful liabilities are incurred.

## **2.6 CAPITAL EXPENDITURE**

### **2.6.1 Financial Health Assessment**

#### **Ratios related to Asset Management**

Table 12 below reflects the ratios that relate to asset management aspects of the Municipality.

**Table 12 Asset Management Ratios**

Description (R'000)	Audited Outcome						
	2006/07	2007/08	Growth %	2008/09	Growth %	2009/10	Growth %
(A) Repairs and Maintenance	8 680	12 601	45.17%	14 317	13.62%	17 688	23.55%
(B) Carrying value of PPE	40 713	217 016	433.04%	260 324	19.96%	284 533	9.30%
% (A/B)	<b>21.32%</b>	<b>5.81%</b>	-72.77%	<b>5.50%</b>	-5.28%	<b>6.22%</b>	13.03%
(A) Actual Acquisition of PPE	16 291	82 251	404.89%	60 724	-26.17%	44 142	-27.31%
(B) Budgeted Acquisition of PPE	25 746	87 733	240.76%	86 059	-1.91%	61 711	-28.29%
(C) Variance (R'000) A-B	<b>-9,455</b>	<b>-5,482</b>	-42.02%	<b>-25,335</b>	362.15%	<b>-17,569</b>	-30.65%
Variance (%) C/B	<b>-36.72%</b>	<b>-6.25%</b>	-82.99%	<b>-29.44%</b>	371.14%	<b>-28.47%</b>	-3.29%

Source: *Theewaterskloof Municipality AFS > Statement of Financial Performance, Statement of Financial Position and Appendix E 2*

#### **Repairs and Maintenance to Carrying value of PPE**

In the absence of an acceptable norm for this ratio, trend analysis will be used as a basis for analysing and interpreting this ratio.

The trend analysis indicates that the ratio has fluctuated year on year. The ratio slightly increased by 0.72 percentage points from 5.5 per cent in the 2008/09 to 6.2 per cent in the 2009/10 financial year.

The rand value of repairs and maintenance increased by R3.37 million (23.6 per cent) while the carrying value of PPE increased by R24.21 million (9.3 per cent) in the 2009/10 financial year.

It is important to note that repairs and maintenance expenditure of existing infrastructure is crucial to the Municipality as it has long-term effects on operating costs and sustainability of the quality of service delivery. The Municipality should therefore maintain all its assets at a level adequate to protect its capital investment and to minimise what can be future backlogs of maintenance and replacement costs.

It is recommended that the Municipality develop a documented detail maintenance plan that clearly identifies the method in which the maintenance of assets will be carried throughout the financial years.

### **Actual Acquisition of PPE vs Budgeted Acquisition of PPE**

The requirements of National Treasury for Annual Financial Statements prepared on GAMAP/GRAP principles are that the Municipality must provide reasons for variances in excess of 5 per cent.

The trend analysis indicates that the ratio has fluctuated year on year. The ratio slightly improved by 0.97 percentage points from 29.4 per cent in the 2008/09 to 28.4 per cent under-expenditure in the 2009/10 financial year. The actual acquisition of PPE has decreased by R16.58 million (27.3 per cent) in the 2009/10 financial year.

The following variances per line item in excess of 5 per cent were found in Annexure E(2) and explanations were provided:

- Admin Planning and Development: under-spent the budget by R1.09 million (86.61 per cent) due to the sports field that could not be completed.
- Roads: under-spent the budget by R 8.8 million (48.09 per cent) due to the MIG Flood relief funds not spent due to the delays in the EIA processes.
- Electricity Distribution: under-spent the budget by R1.74 million (30.56 per cent) due to the EB Steam project delay and the Villiersdorp housing project not completed in 2009/2010 financial year.
- Water Distribution: under-spent the budget by R5.82 million (21.34 per cent) due to the delays with the EIA that delayed the project; and also the budget for the pre-paid meters not fully spent.

The capital expenditure performance levels for the Municipality has decreased by 27.31 per cent from R60.72 million to R44.14 million in the 2009/10 financial year. The overall ratio result reflects a PPE budget that is not credible.

It is recommended that the Municipality should implement tighter budgetary control measures to reduce this variance. Under spending on PPE could adversely affect service delivery outcomes and affecting performance information outcomes of the Municipality.

### **Summary and recommendation on Asset Management Ratios**

It appears that the Municipality's capital budget is not credible due to the high variance between actual and budgeted capital spending. The Municipality is encouraged to plan its projects more accurately and ensure that the funds allocated are utilised within the financial year.

#### **Response by Technical Services:**

## 2.6.2 Analysis of the 2011/12 MTREF Capital Expenditure Budget

Table 13 below represents budget per Vote that will be used on capital projects for the 2011/12 MTREF.

**Table 13 Capital Expenditure**

Vote Description	2007/08	2008/09	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework			% Average growth in total 2007/08 - 2013/14	% Average T-Y growth 2010/11 - 2011/12
	R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Actual YTD	Budget Year 2011/12	Budget Year 2012/13	Budget Year 2013/14	
<b>Governance and administration</b>	1,189	4,045	4,887	1,843	4,261	1,118	5,002	230	4,500	20.9	171.4
Executive and council	—	—	—	—	—	105	—	—	—	0.0	0.0
Budget and treasury office	248	2,102	1,506	1,843	3,461	973	2,212	—	—	-100.0	20.0
Corporate services	941	1,943	3,380	—	800	40	2,790	230	4,500	25.1	0.0
<b>Community and public safety</b>	<b>34,552</b>	<b>12,668</b>	<b>27,457</b>	<b>29,330</b>	<b>30,036</b>	<b>19,187</b>	<b>33,977</b>	<b>32,480</b>	<b>34,288</b>	<b>-0.1</b>	<b>15.8</b>
Community and social services	—	—	—	—	—	—	—	—	50	0.0	0.0
Sport and recreation	960	31	333	—	692	619	—	—	—	-100.0	0.0
Public safety	—	—	—	—	—	—	—	—	—	0.0	0.0
Housing	33,592	12,637	27,125	29,330	29,344	18,568	33,977	32,480	34,238	0.3	15.8
Health	—	—	—	—	—	—	—	—	—	0.0	0.0
<b>Economic and environmental services</b>	<b>3,542</b>	<b>6,790</b>	<b>10,228</b>	<b>16,019</b>	<b>13,602</b>	<b>7,379</b>	<b>8,528</b>	<b>7,194</b>	<b>12,613</b>	<b>19.9</b>	<b>-46.8</b>
Planning and development	—	4,597	277	—	—	—	2,150	—	2,500	0.0	0.0
Road transport	3,542	2,193	9,951	16,019	13,602	7,379	6,378	7,194	10,113	16.2	-60.2
Environmental protection	—	—	—	—	—	—	—	—	—	0.0	0.0
<b>Trading services</b>	<b>43,376</b>	<b>36,952</b>	<b>31,375</b>	<b>35,860</b>	<b>34,144</b>	<b>9,971</b>	<b>39,762</b>	<b>30,141</b>	<b>26,565</b>	<b>-6.8</b>	<b>10.9</b>
Electricity	2,104	3,069	3,845	5,978	6,002	65	6,730	4,690	—	-100.0	12.6
Water	11,304	22,797	23,208	16,591	16,577	6,169	10,727	2,526	7,000	-6.6	-35.3
Waste water management	26,028	6,252	4,322	13,291	11,564	3,737	20,197	22,925	19,565	-4.0	52.0
Waste management	3,939	4,833	—	—	—	—	2,109	—	—	-100.0	0.0
<b>Other</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Capital Expenditure - Standard</b>	<b>82,659</b>	<b>60,454</b>	<b>73,947</b>	<b>83,052</b>	<b>82,043</b>	<b>37,655</b>	<b>87,269</b>	<b>70,045</b>	<b>77,966</b>	<b>-0.8</b>	<b>5.1</b>

Source: 2011/12 Draft Annual Budget Schedules: 'A5-Capex' of Municipality

The 2011/12 financial year's capital expenditure budget indicates an average annual growth of -0.8 per cent over the 7 year period between 2007/08 and 2013/14 financial years. The 2011/12 budget shows a growth of 5.1 per cent from the original budget of the 2010/11 financial year and 6.4 per cent of the adjusted budget of the 2010/11 financial year.

The total capital expenditure is projected to grow by 5.1 per cent in the 2011/12 financial year and decrease over the last two years of the MTREF. The table shows that the budget for Governance and Administration is projected to grow tremendously as a result of Corporate Services that was not budgeted for in the 2010/11 financial year. The budget for Economic and Environmental Services is projected to go down to prioritise Waste Water Management capital infrastructure projects on trading services.

The performance as at the end of January 2011 indicates that 45.9 per cent of the adjusted budget amounting of R82.04 million has been spent. If this spending trend is continued, the Municipality is likely to spend R64.57 million or 78.7 per cent for the financial year. The Municipality reported that a number of 2010/11 capital projects have been delayed by the Municipality's Supply Chain Management regulations. Expenditure scheduled for these projects will commence and escalate after the various tenders have been adjudicated.

The overall growth trends are the same as those observed in the sources of revenue and the growth in 2011/12 financial year is due significant increase of 52 per cent for Waste Water Management Vote, 20 per cent increase for Budget and Treasury Office Vote and a 15.8 per cent increase for Housing Vote. Although there has been an overall budget growth, Roads

Transport and Water shows significant decrease with 60.2 per cent and 35.3 per cent respectively. The root causes of these growth patterns will be discussed per vote below.

**Response by Technical Services:**

**Housing**

The 2011/12 draft budget shows a 15.8 per cent increase from the 2010/11 financial year's original budget of R29.33 million. The 2011/12 draft budget indicates that the Municipality will utilise the Human Settlement Development Grant to expedite GAP housing in all of the Municipality towns, which is the second strategic focus area of the five strategic focus areas of the new 5 year IDP.

**Response by Development Services:**

Misconception/misinterpretation. Human settlement development grant is not used in the construction of Gap housing. Municipality sells land to developer, developer sells house to beneficiaries.

Housing Vote is the largest contributor with 38.9 per cent of the total capital expenditure of the 2011/12 draft budget. The January 2011 IYM indicates a performance of 63.3 per cent of the adjusted budget of R29.34 million.

During the 2010/11 financial year, the Municipality indicated to Provincial Treasury that it needed more funds to finance housing projects. After several engagements between Provincial Treasury and the Department of Human Settlements, it became clear that there were still outstanding challenges between the Municipality and the latter department and therefore additional funds could not be made available to the Municipality. These outstanding issues were caused by communication challenges between the Municipal Housing Department, Municipal Finance Department and Department of Human Settlement; Provincial Treasury has arranged a meeting between all of these stakeholders to sort out their communication challenges to avoid this happening in future.

**Response by Development Services:**

We are not sure as to where the department of treasury got the information about challenges between ourselves and the Department of Human Settlements. The Department of Human Settlements is the only department that supports this municipality and always makes funding available for our projects. We have a good working relationship. The municipality will at all times provided housing to our people if Treasury and Human settlements constructively support us.

The 2010/11 financial year's performance on this Vote is a clear indication that the Municipality has the capacity to deliver on future housing projects.

## **Waste Water Management**

The table reveals an increase of 52 per cent in the 2011/12 financial year's budget from the original budget of R13.29 million and a 74.7 per cent increase when compared to the adjusted budget of R11.56 million.

The largest project under this Vote is the upgrading of Waste Water Treatment Plant in Grabouw which is funded by MIG, an indication that this project can be successfully completed because the 2010/11 financial year projects under this vote were mainly funded through external loans.

The growth trends for 2011/12 MTREF indicate that the Municipality intends to increase spending on this Vote, which is affordable because 94.6 per cent of this Vote's source of revenue is from MIG. Waste Water Management is the second largest contributor to overall capital expenditure with 23.1 per cent of the 2011/12 financial year's total capital expenditure draft budget. The January 2011 IYM indicates low performance of 32.3 per cent of the adjusted budget of R11.56 million. If this performance trend is continued a projected 55.4 per cent expenditure performance will be achieved at the end of the 2010/11 financial year. This is a concern since the Municipality intends to increase spending on this Vote.

The Municipality identified five strategic focus areas and the second focus is infrastructure and bulk service upgrading, expansions and the replacement of water and sewerage networks are part of these focus areas.

### **Response by Technical Services:**

## **Water**

The 2011/12 draft budget reveals a 35.3 per cent decrease from the original budget of R16.59 million and is also decreasing when compared to the adjusted budget. The root cause for this decrease is due to the bulk water infrastructure upgrading project in Botrivier that will be completed at the end of the 2010/11 financial year and the Municipality has only identified two projects under this Vote for the 2011/12 financial year.

The largest project under this Vote for the 2011/12 financial year is the Phase 3 of Bulk Water Capacity Upgrading in Grabouw, which is a renewal project from 2010/11 financial year. The second project under this Vote is the installation of pre-paid water meters/water demand management. The Mayor's speech indicates that this project was explained to all households and was positively accepted. This system replaces the trickle system, improves water management, will make usage affordable and limits debt and will also help with the identification of water leakages.

The Municipality expected that 4 000 pre-paid water meters will be installed by the end of June 2011. The planned installation amounts to 5 757 of which 2 136 has been installed and 3 621 still needs to be installed. Borrowings make up 94.2 per cent of the source of revenue for this Vote.

**Response by Technical Services:**

### **Road Transport**

The 2011/12 draft budget reveals a 60.2 per cent decrease from the 2010/11 original budget of R16.02 million and 53.1 per cent of the 2010/11 adjusted budget of R13.6 million. The root cause for this decrease is because most of the draft 2011/12 projects are renewal projects of the 2010/11 financial year. The only new project that will be implemented by the Vote in the new financial year is the Scholtz River Storm Water Management in Greyton.

The highest spending on the Road Transport Vote, for the three audit outcome, as quoted in the table above, was R9.95 million that was spent in the 2009/10 financial year. The 2011/12 MTREF growth trends indicate that the Municipality intends to increase spending on this Vote, which is 100 per cent dependent on borrowings.

**Response by Technical Services:**

### **Electricity**

The 2011/12 MTREF budget reveals a 12.6 per cent increase from the 2010/11 original budget of R5.98 million and 12.1 per cent of the 2010/11 adjusted budget of R6 million. The root cause for this increase is mainly due to the fact that the Municipality wants to roll-out the prepaid electricity meters to all households and anticipates completing this project in the 2011/12 financial year.

The highest spending on the Electricity Vote, for the three audit outcome as quoted above, was R3.85 million that was spent in the 2009/10 financial year. The electricity prepaid metre project is the largest project within this Vote and will spread across the Municipality. The 2011/12 MTREF decreasing trends are an indication that the Municipality intends to concentrate on projects in other Votes.

As at the end of January 2011, the expenditure performance amounted to 1.1 per cent of the adjusted budget of R6 million and this is a cause of concern. The root cause for the slow performance is due to that the Municipality awarded the tender to replace all the households' conventional electricity meters with prepaid electricity meters later than planned. The slow spending is also due to the fact that contractors for 5 of the remaining 8 projects in the Vote were only appointed in the eight month of the 2010/11 financial year.

**Response by Technical Services:**

### **Waste Management**

The 2011/12 MTREF indicates that the Municipality does not intend to project future expenditure on this Vote. Although the Municipality has projected no future spending, the source of finance for the 2011/12 projects is secured because 87.7 per cent is funded through the MIG. The 2011/12 MTREF decreasing trends indicate that the Municipality intends to spend only for 2011/12 financial year for this Vote, which is Greyton/Genadendal Solid Waste Transfer Station project.

**Response by Technical Services:**

***Key Findings***

The Activity-Based Costing (ABC) method, which the Municipality has applied for the first time in the 2010/11 financial year, has assisted the Municipality to improve on its capital budget performance and remains to be seen if the Municipality will be able to spend more than 90 per cent of its budget.

The Municipality is further commended for the assessment that has been done on the state of renewals and repairs and maintenance.

The installation of water meters will assist the Municipality to reduce debtors and assist in water leakages and will also help to maximise on revenue collection.

Governance and Administration Services are projected for a high growth while the budget for Roads Transport under Economic and Environmental Services is showing a decline from the 2010/11 financial year's budget.

The Waste Water Management Vote's budget is projected to increase by over 1.5 times the 2010/11 financial year's budget despite the current year's performance as at the end of January 2011.

The actual acquisition of Property, Plant & Equipment has been decreasing over the past two years and that can put pressure on the assets of the Municipality given the reported backlogs in asset renewals and repairs and maintenance.

The credibility of the Municipality's 2011/12 draft capital budget is being compromised by internal and external delays as the Municipality has not managed to spend 100 per cent of its capital budget in the previous financial years.

**Response by Technical Services:**

### **Root causes**

The contributing factors to slow spending are similar to those affecting other municipalities and include slow Supply Chain Management processes and delays in the finalisation of Environmental Impact Assessments.

The decline in the Roads Transport Vote is as a result of completed projects on the renewal of roads infrastructure.

The increased expenditure on Waste Water Management Vote is as a result of projected expenditure on the Waste Water Treatment Plant (WWTP) in Grabouw.

#### **Response by Technical Services:**

### **Recommendation**

The Municipality must ensure that proper provision is made for repairs and maintenance to reduce the backlogs and to ensure maximum functionality of the municipal assets.

#### **Response by Technical Services:**

## **2.7 TOTAL OUTSTANDING DEBTORS**

### **2.7.1 Financial Health Assessment**

#### **Consumer Debtors to Actual Service Charges**

Table 14 below shows the Municipality's ratios that relates to consumer debtors.

**Table 14 Debtors Ratios**

Description (R'000)	Audited Outcome						
	2006/07	2007/08	Growth %	2008/09	Growth %	2009/10	Growth %
(A) Consumer Debtors	77 143	80 872	4.83%	81 490	0.76%	100 390	23.19%
(B) Actual Service Revenue	89 313	179 965	101.50%	116 549	-35.24%	134 130	15.08%
<b>DAY = (A/B*365)</b>	<b>315</b>	<b>164</b>	-47.97%	<b>255</b>	55.59%	<b>273</b>	7.05%
(A) Provision for bad debts	57 295	63 180	10.27%	71 409	13.02%	81 952	14.76%
(B) Consumer Debtors	77 143	80 872	4.83%	81 490	0.76%	100 390	23.19%
% (A/B)	<b>74.27%</b>	<b>78.12%</b>	5.19%	<b>87.63%</b>	12.17%	<b>81.63%</b>	-6.84%

Source: Theewaterskloof AFS> Notes to AFS and Statement of financial performance and Statement of financial position

In the absence of an acceptable norm for this ratio, trend analysis will be used as a basis of analysing and interpreting this ratio.

The trend analysis indicates that the ratio has fluctuated year on year. The collection days increased from 255 days in the 2008/09 to 273 days in the 2009/10 financial year. The debtors

collection period has increased due to the fact that total consumer debtors increased at a higher rate of 23.2 per cent than the total revenue which increased by 15.1 per cent in the 2009/10 financial year.

The non-payment for municipal services remains a burden for the Municipality and will have an adverse effect on the cash flow and the liquidity position. It is recommended that the Municipality focus on revenue collection, writing off irrecoverable debts and the implementation an effective credit and debt control policies.

### **Provision for Bad Debts to Consumer Debtors**

In the absence of an acceptable norm for this ratio, the trend will be used as the basis of analysis. The lower the percentage provision in relation to consumer debtors, the more likely the Municipality will be able to recover the debt.

The trend analysis indicates that the ratio has fluctuated year on year. The ratio improved from 87.6 per cent in the 2008/09 to 81.6 per cent in the 2009/10 financial year. In the 2009/10 financial year, the provision for bad debts increased by R10.54 million (14.8 per cent), while Consumer Debtors increased by R18.9 million (23.2 per cent). The high ratio indicates that the Municipality will have challenges in collecting outstanding debtors if no measures are put in place to reduce the amount of debtors.

The Municipality should always strive to keep the outstanding debtors at a manageable level, avoiding the long outstanding debtors appearing in its books and should enforce strict measures for debt recovery.

### **Summary and recommendation on Consumer Debtors ratios**

The debtors' collection period is a serious concern as it is very high at 273 days and will affect the cash-flow position of the Municipality. All measures should be exercised to collect the outstanding debts even before a decision is made to write off irrecoverable debts.

#### **Response by Finance:**

Data cleansing & Debt collection process (business process reengineering) & Indigent management? Mr. Jacobs

Water Management System: status

#### **Debt pack & Debt collection:**

Residential- There is a noticeable higher outstanding Debt in Towns where the municipality is not providing Electricity.

Golf Estate- TWK and the Golf Estate were on the verge of going to court but have agreed to settle out of court in the interest of both parties as advised by Senior Council

Government Debt- A meeting will be scheduled to meet with Public Works in the course of discussing the high Government Debt

### We have encountered problems with Electronic Debt Collection System

The Indigent Management System (INDIGO) and Debt Collection System are now fully functional which allow us to spend less time on administrative and manual work and more time on the actual Collection of Debt.

Other problems were experienced with not having Sheriffs in the Caledon and Grabouw area in particular- Acting Sheriffs have since been appointed.

### Data Cleansing

Debtors Data cleansing is the act of detecting and correcting (or removing) corrupt or inaccurate records from our debtor database. It refers to identifying incomplete, incorrect, inaccurate, irrelevant etc. parts of the data and then replacing, modifying or deleting such data.

During a Data Cleansing exercise (based on a sample of 21 accounts in Botrivier & 26 accounts in Riviersonderend) we discovered that revenue, would increase by R138 765 on those accounts alone.

The percentage increase on revenue on these accounts were 54% (Botrivier) & 78% in Riviersonderend.

### Interim Results

Thus far lost revenue in the amount of + R900,000 per annum in respect of Botrivier Businesses, Helderstroom Prison, Greyton Retirement Village, Greyton tariffs not charged and a Sample of 21 Accounts in Riviersonderend have been detected and charged. We have also detected Sewer under-charges at schools in the amount of +R500,000 per annum. This will ensure that all consumers pay their fair share. We are confident that our revenue will increase by a few million rand per annum

SERVICE	BOTRIVIER	RIVIERSONDEREND	TOTAL
WATER	R6 280	R10 567	R16 847
SEWERAGE	R94 139	R13 308	R107 447
REFUSE REMOVAL	R12 098	R2 319	R14 417
ESTIMATED GAINS FOR ONE YEAR AFTER DATA CLEANSING	R112 571	R26 194	R138 765

### Business process reengineering

Process Re-Engineering was initiated through the SALGA/SALAR (Sweden)- P3 Partnership and commenced in June 2010. The objectives of this project are to improve existing business processes and to develop processes where there are none.

Processes would include both administrative and service delivery processes and we believe this will reduce red-tape and improve effectiveness and efficiency. The benefit thereof will be a reduction in resources required and consequently a reduction in costs.

The Data Cleansing Project is used as a pilot for the Service Improvement & Process Re-Engineering.

## 2.7.2 Analysis of Consumer Debtors as at 31 January 2011

Table 15 below indicates year-on-year and month-on-month trends of debtors focusing on the ageing, customer groups and service types.

**Table 15 Debtors as at 31 January 2011**

(R'000)	Jan-11		Month-on-Month		Dec-10		Year-on-Year		Jan-10	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
0-30 days	8,330	8.1	1,920	30.0%	6,410	6.4	-375	-4.3%	8,705	8.6
31-60 days	4,295	4.2	-213	-4.7%	4,508	4.5	115	2.8%	4,180	4.1
61-90 days	547	0.5	203	59.0%	344	0.3	543	135.750%	4	0.0
>90 days	89,968	87.2	692	0.8%	89,276	88.8	2,070	2.4%	87,898	87.2
Government	5,921	5.7	122	2.1%	5,799	5.8	-88	-1.5%	6,009	6.0
Business	10,462	10.1	-384	-3.5%	10,846	10.8	-409	-3.8%	10,871	10.8
Households	78,994	76.6	1,005	1.3%	77,989	77.6	-779	-1.0%	79,773	79.2
Other	7,763	7.5	1,860	31.5%	5,903	5.9	3,629	87.8%	4,134	4.1
Water	29,002	28.1	2,487	9.4%	26,515	26.4	1,074	3.8%	27,928	27.7
Electricity	5,848	5.7	-5	-0.1%	5,853	5.8	860	17.2%	4,988	4.9
Property Rates	22,498	21.8	-452	-2.0%	22,950	22.8	-50	-0.2%	22,548	22.4
Other	45,792	44.4	572	1.3%	45,220	45.0	470	1.0%	45,322	45.0
<b>Total</b>	<b>103,140</b>	<b>100.0</b>	<b>2,602</b>	<b>2.6%</b>	<b>100,538</b>	<b>100.0</b>	<b>2,354</b>	<b>2.3%</b>	<b>100,786</b>	<b>100.0</b>

Source: NT Database (January 2010/11 IYM Report)

The total outstanding debt amounted to R103.14 million, an increase of 2.6 per cent from December 2010. The year-on-year comparison reveals that total debt has increased by 2.3 per cent from R100.79 million as at the end of January 2009/10 to R103.14 million in January 2010/11.

The largest portion of debtors is reflected in the over 90 days category and accounts for 87.2 per cent of the total outstanding debtors and the year-on-year comparison reflects that this category has increased by 2.4 per cent from R87.90 million in 2009/10 to R89.97 million in 2010/11. Household debt accounts for the largest portion with an amount of R78.99 million or 76.6 per cent of the total debt. The FMR reports that those RDP Housing dwellers and indigent debtors make up R27.43 million or 27 per cent of the total debt.

The January FMR indicates that several legal proceedings have been instituted up to the judgment stage but the properties in Genadendal cannot be executed due to the trust ownership issue. This is a town where Eskom supplies electricity.

The Municipality indicated that the number of indigent households is projected to increase from ± 6 000 to ± 8 000. This anticipated increase is mainly caused by the high levels of

unemployment in the region, Agricultural Seasonal Employment and Influx of indigent people seeking greener pastures. This trend will have a significant impact on the equitable share grant allocation.

**Response by Finance:**

Mr Jacobs?

**Key Findings**

In August 2010, Theewaterskloof Municipality moved its bad debt under the category that is older than 1 year, which indicated that the Municipality was working towards the application of methods to recover the outstanding debt.

There is a risk involved with the debtors that are older than 90 days as most of that debt might not be recoverable because Households, which also includes indigents and RDP Housing dwellers, constitutes the high percentage as a customer group.

The Municipality is in a process of rolling out the project on installation of pre-paid water meters and replacement of conventional with pre-paid electricity meters. These projects will ensure that consumers can manage their consumption and this will also assist in reducing debtors that are outstanding for longer than 90 days.

A Project Plan and Data Cleansing Steering Committee were established with representatives of all directorates within the Municipality. The project aims to correct debtors' data, ensuring the problems do not re-occur, increasing the revenue inflow and focusing on enhancing inter-departmental co-operation and communication.

**Response by Finance:**

Mr. Jacobs?

**Root Causes**

It is difficult for the Municipality to recover outstanding accounts from customers in town(s) where Eskom supplies electricity.

Inaccurate customer data that resulted in billing challenges including the billing of the RDP House Dwellers and Indigent Households.

**Response by Finance:**

Mr. Jacobs?

**Recommendations**

The Municipality must continue in applying methods and the Credit Control Policy to recover the outstanding debt before a consideration to classify debtors as bad debts.

The Municipality is advised to write-off bad debts after all recovery processes have been followed but the evidence is that debtors cannot pay.

The Municipality is encouraged to continue working hand-in-hand with PT Debt initiatives in order to solve government debt.

In addition, emphasis must be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

The Municipality must make a provision or plan to write-off the outstanding debtors from RDP Housing dwellers and indigent debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because are unemployed, the Municipality should look at how departments as well as external role players can get actively involved in the reduction of the number of registered indigent households.

**Response by Finance:**

Mr Jacobs?

## 2.8 TOTAL OUTSTANDING CREDITORS

Table 16 below indicates the creditors that were payable as at the end of January 2011.

**Table 16 Total outstanding creditors as at 31 January 2011**

R'000	Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Other		4,958	0	0	0	0	0	0	0	4,958
<b>Total</b>		<b>4,958</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,958</b>

Source: IYM Report dated 31 January 2011 of Municipality

As at end of January 2011 the total amount payable, which represent commitments by Council of which the relevant invoice or statement is outstanding, decreased from R5.95 million in December 2010 to R4.96 million. Year-on-year comparison also indicates that the accounts payable went down from R5.15 million as at the end of January 2010, an indication that the Municipality has improved in paying the service providers.

The Municipality reported that all creditors were paid within 30 days of receiving the relevant invoice or statement as prescribed in terms of Section 65(e) of the MFMA.

### **Key Finding**

The Municipality is currently classifying all creditors on 'Other' item and it makes it difficult to identify and analyse specific items within creditors.

### **Root cause**

The system that the Municipality is currently using does not provide a breakdown of creditors per item.

### **Recommendation**

The Municipality needs to consult with the service provider so that the system can provide creditors per item, which will allow Provincial Treasury to pick up the significant growth per item and / or top ten outstanding creditors.

## **2.9 CASH MANAGEMENT**

### **2.9.1 Review: 2009/10**

Issues identified during the previous LGMTEC 3 relates to the increasing debt burden budgeted over the MTERF. The audit report does not mention any critical audit findings related to cash flow.

The audited cash flow statement as at 30 June 2010 indicates a closing cash & cash equivalent balance of R7.36 million. This closing balance compared with the opening balance on the Cash flow budget for 2010/11 differs from the opening balance of R7.28 million. It would therefore require that the CFB be adjusted or amended with the final figures of the audited cash flow statement at the end of the financial year.

## 2.9.2 Mid-Year Risk Assessment

**Table 17 Monthly Cash Flow- January 2011**

Details (R'000)	Original Budget	Adjusted Budget	Actuals YTD	%	Actual Quarter 1 July - Sept	Actual Quarter 2 Oct - Dec	Actual Month 7 January
<b>Cash receipts by source</b>							
Statutory receipts (including VAT)	44 400	44 400	29 254	65.9	15 211	11 479	2 564
Service charges	120 709	120 709	72 237	59.8	26 888	37 084	8 266
Transfers (operational and capital)	96 005	96 005	50 834	52.9	34 571	16 263	
Other receipts	53 253	53 253	49 055	92.1	16 757	28 785	3 513
<b>Cash receipts by source</b>	<b>314 367</b>	<b>314 367</b>	<b>201 380</b>	<b>64.1</b>	<b>93 427</b>	<b>93 611</b>	<b>14 343</b>
<b>Other cash flows / receipts by source</b>							
Contributions recognised - capital & contributed assets							
Proceeds on disposal of PPE							
External loans	26 496	26 496					
Net increase (decrease) in assets / liabilities	189	189	23	12.2		2	21
<b>Total cash receipts by source</b>	<b>341 052</b>	<b>341 052</b>	<b>201 403</b>	<b>59.1</b>	<b>93 427</b>	<b>93 613</b>	<b>14 364</b>
<b>Cash payments by type</b>							
Employee related costs	95 240	95 240	55 330	58.1	22 902	24 631	7 796
Grant and subsidies							
Bulk Purchases - electricity, water and sewerage	35 476	35 476	18 418	51.9	8 001	8 519	1 899
Other payments to service providers	146 402	146 402	47 580	32.5	14 578	27 117	5 884
<b>Cash payments by type</b>	<b>277 118</b>	<b>277 118</b>	<b>121 328</b>	<b>43.8</b>	<b>45 481</b>	<b>60 267</b>	<b>15 579</b>
<b>Other cash flows / payments by type</b>							
Capital assets	83 052	83 052	37 948	45.7	17 131	19 186	1 632
Repayment of borrowing	10 878	10 878	798	7.3	680		119
Other cash flows / payments			17 263		10 942	6 321	
<b>Total cash payments by type</b>	<b>371 048</b>	<b>371 048</b>	<b>177 337</b>	<b>47.8</b>	<b>74 234</b>	<b>85 774</b>	<b>17 330</b>
Net increase (decrease) in cash held	-29 996	-29 996	24 066	-80.2	19 193	7 839	-2 966
<i>Cash/ cash equivalents at the month/year begin</i>			7 282		7 282	26 475	34 313
<i>Cash/ cash equivalents at the month/year end</i>	<b>-29 996</b>	<b>-29 996</b>	<b>31 347</b>		<b>26 475</b>	<b>34 313</b>	<b>31 347</b>

Source: NT Database – Month 7

## Liquidity Risk

Analysing the quarter-on-quarter performance, it is noted that during the 1<sup>st</sup> quarter, the cash inflows exceeded the cash outflows by R19.19 million and this trend continued to the 2<sup>nd</sup> quarter where cash inflows exceeded outflows with R7.84 million. The net increase in both quarters increased the cash surplus of the Municipality.

During January 2011 the cash surplus position decreased by R2.97 million. The total actual cash receipts coverage in January 2011 was 0.83 times compared with that of the 1<sup>st</sup> quarter of 1.26 times and quarter two of 1.09 times.

## Finding

The cash surplus position increased and is evident in the year-to-date cash flow position of the Municipality. The Municipality remains on track to achieve its targeted objectives in relation to the budget. The liquidity risk therefore, is low-to-medium for the period under review and should continue at that to the end of the financial year.

## Credit Risk

**Table 18 External Borrowing – January 2011**

	Opening Balance	Interest Capitalised	Repayments	Loans Received	Closing Balance	QBMR Q2 Oct-Dec 2010	Repayment YTD (NT)	Budgeted Repayment	Budgeted Repayments YTD
Theewaterskloof	81 957	13 990			95 947	1	798	10 878	7.34%
	81 957	13 990	-	-	95 947	1	798	10 878	7%

## Finding

The Municipality budgeted for borrowing repayment of R10.88 million. The Municipality repaid R798 000 or 7.3 per cent as at 31 January 2011. This is below the targeted percentage of 58 per cent at the end of January 2011. This may render the Municipality susceptible to credit risk for not meeting their finance obligations for the 2010/11 financial year.

### Response by Finance:

The error was noted and corrected as the redemption was included in general expenditure and not under repayments of external borrowings which brings the redemption on external loans to R1,982 million (31% of budgeted amount). The interest amount paid at January 2011 is R4,633 million (42% of budgeted amount).

## Investment Risk

**Table 19 Investments - January 2011**

	Opening Balance	Investments Matured	Investments Made	Interest Capitalised	Cost and Fees	Interest Earned month	Interest Earned Year to date	Closing Balance	Budgeted Interest Earned	Budgeted Interest Earned YTD
Theewaterskloof	25 207 078		207 578			662 186	1 116 794	25 414 656	2 606 000	42.85%
	25 207 078		207 578			662 186	1 116 794	25 414 656	2 606 000	42.85%

*Source: Monthly Report: January 2011*

The Municipality budgeted for interest on investments of R2.61 million. Year-to-date interest earned on investments amounted to 42.9 per cent of the budgeted interest. The interest rate risk for the Municipality is therefore low-to-medium. Investments are with approved financial institutions, in accordance with their Cash Management & Investment Policy.

## Finding

Although the interest rate risk is low to medium no counterparty risk exists.

### 2.9.3 Cash flow summary

**Table 20 Cash flow Summary 2011/12-2013/14**

Description R thousand	2007/08	2008/09	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	200,072	189,726	223,553	209,156	209,156	209,156	212,904	235,018	263,331
Government - operating	-	-	-	48,735	48,735	48,735	51,955	54,554	57,940
Government - capital	-	-	-	47,270	47,270	47,270	59,382	58,715	64,416
Interest	4,222	11,693	9,109	9,206	9,206	9,206	7,700	8,316	8,981
Dividends	-	-	-	-	-	-	-	-	-
<b>Payments</b>									
Suppliers and employees	(139,725)	(158,837)	(198,571)	(288,935)	(288,935)	(288,935)	(246,854)	(267,162)	(296,584)
Finance charges	(4,098)	(7,235)	(8,302)	(10,945)	(10,945)	(10,945)	(14,303)	(15,442)	(16,833)
Transfers and Grants	-	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>60,470</b>	<b>35,346</b>	<b>25,789</b>	<b>14,487</b>	<b>14,487</b>	<b>14,487</b>	<b>70,784</b>	<b>73,999</b>	<b>81,252</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE	1,803	5,252	850	35,348	-	-	-	-	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-
<b>Payments</b>									
Capital assets	(82,460)	(61,094)	(45,375)	(83,052)	(83,052)	(83,052)	(87,269)	(70,045)	(77,966)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(80,658)</b>	<b>(55,842)</b>	<b>(44,525)</b>	<b>(47,704)</b>	<b>(83,052)</b>	<b>(83,052)</b>	<b>(87,269)</b>	<b>(70,045)</b>	<b>(77,966)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
Short term loans	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	24,857	33,391	55	26,496	26,496	26,496	21,285	10,770	13,550
Increase (decrease) in consumer deposits	171	320	299	189	189	189	229	252	277
<b>Payments</b>									
Repayment of borrowing	(1,765)	(2,463)	(5,327)	(10,878)	(10,878)	(10,878)	(7,904)	(8,308)	(8,744)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>23,264</b>	<b>31,247</b>	<b>(4,973)</b>	<b>15,807</b>	<b>15,807</b>	<b>15,807</b>	<b>13,610</b>	<b>2,714</b>	<b>5,083</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>3,076</b>	<b>10,752</b>	<b>(23,709)</b>	<b>(17,410)</b>	<b>(52,758)</b>	<b>(52,758)</b>	<b>(2,875)</b>	<b>6,668</b>	<b>8,368</b>
Cash/cash equivalents at the year begin:	17,243	20,319	31,071	7,362	7,362	7,362	7,877	5,002	11,670
Cash/cash equivalents at the year end:	20,319	31,071	7,362	(10,048)	(45,397)	(45,397)	5,002	11,670	20,039

Source: Annual Budget (A7-Cflow)

The 2007/08 and 2008/9 audited outcomes indicates positive growth year on year respectively and a growth for 2009/10 showed a net decrease of R23.71 million. The decrease was mainly due to the cash outflow on capital assets. Over the 2011/12 MTREF, the cash surplus is increasing year on year except for 2011/12. The budgeted net decrease for 2011/12 is due to the repayment of borrowing and cash outflow on capital assets.

Over the 2011/12 MTREF the Municipality is projecting an average cash and cash equivalents of R12.24 million compared to the average audit outcomes of R19.58 million for the 3-year period that ended in the 2009/10 financial year, representing a decrease of 37.5 per cent. The 2011/12 tabled budget indicates that the Municipality will be generating sufficient cash inflow from the operating activities to finance cash outflow from operations and similar trend is observed for the 2 outer years of the MTREF.

The cash flow from investing activities only reflects cash outflows towards capital assets. The highest contributor towards the net decrease is the spending on capital assets. The cash outflow for capital assets is reducing the net cash available from the operating activities across the medium term. In order for the Municipality to sustain the spending on the capital assets, the Municipality is budgeting for external borrowings in each year of the medium term.

In terms of financing activities, the Municipality is making provision for long term loans of R21.29 million for 2011/12, R10.77 million and R13.55 million for the outer 2 years respectively.

## **Findings**

The Municipality is partly financing capital assets with external borrowings over the MTREF. Expedient tariff setting is required coupled with innovative means to sustain debtors and manage creditor payments over the medium term. The indication is there that the Municipality would have to manage their cash expediently over the MTREF to reduce the budgeted external borrowings over the same period. This will in turn reduce the burden of repayment on external borrowing and finance cost.

In order to reduce the burden of repayment and finance charges over the medium term, the Municipality would be advised to prioritise capital expenditure in line with their cash flow available from operating activities. Prioritising capital expenditure with the net cash available after operations would ensure that the need for external borrowing is minimised and that cash resources is growing steadily over the medium term.

Comparing schedule A7 cash flow (current year and the adjusted budget column) with the IYM cash flow budget, a difference between the two cash flows exists. The cash flow totals for employees and supplier payments as per schedule A7 are R11.82 million more than the budgeted cash flow as per the IYM and the A7 cash flow includes finance charges of R10.95 million compared to the cash flow submitted as per IYM. The Municipality has not adjusted its cash flow budget for the current year. The differences between the cash flows are significant as it affects the budgeted cash and cash equivalents closing and opening balances over the medium term.

The opening balance for cash and cash equivalents is R7.87 million during the 2011/12 budget year compared with the negative closing balance of cash and cash equivalents of R45.4 million on the current year full year forecast.

### **Response by Finance:**

The 2010/2011 was based on the original budget approved by council and adjustment budget. In order to improve on the completion of the 2011/2012 MTREF it was necessary to recalculate and adjust the opening balance. A better understanding was obtained in completing the cashflow for the 2011/2012 MTREF than in the 2010/2011 budget year.

## 2.9.4 Cash inflow and outflow

**Table 21 Monthly Cash inflow and Outflow: 2011/12-2013/14**

MONTHLY CASH FLOWS R thousand	Budget Year 2011/12												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Cash Receipts By Source</b>	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-
Property rates	16,073	2,009	2,009	2,813	2,009	2,411	2,009	2,009	3,215	2,009	1,807	40,183	43,069	46,608	
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - electricity revenue	6,846	3,994	4,564	2,853	2,853	2,853	3,994	8,558	6,276	3,994	7,417	2,853	57,054	68,988	83,424
Service charges - water revenue	3,015	8,669	1,884	2,638	1,884	2,261	3,015	1,884	2,638	3,015	4,900	1,884	37,690	40,159	43,409
Service charges - sanitation revenue	888	1,184	740	740	2,220	592	740	3,255	1,332	888	1,036	1,184	14,797	15,214	16,489
Service charges - refuse revenue	1,831	1,127	563	1,408	845	1,268	986	1,408	1,127	1,127	1,127	1,268	14,085	14,410	15,633
Service charges - other	179	224	119	194	60	164	119	104	75	119	60	75	1,493	1,612	1,741
Rental of facilities and equipment	107	138	138	123	123	107	107	138	215	107	123	107	1,534	1,657	1,789
Interest earned - external investments	68	68	102	170	68	170	102	85	306	272	136	153	1,700	1,836	1,983
Interest earned - outstanding debtors	540	460	540	540	600	660	660	720	600	120	60	480	6,000	6,480	6,996
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	457	406	406	457	406	355	558	355	507	457	304	5,074	5,479	5,918	
Licences and permits	5	3	3	4	8	11	7	5	7	5	3	3	63	68	73
Agency services	182	145	127	182	91	182	200	109	145	145	182	127	1,815	1,961	2,118
Transfer receipts - operational	20,262	-	260	-	10,391	5,196	520	14,028	-	1,039	-	260	51,955	54,554	57,940
Other revenue	3,129	1,565	5,868	1,956	1,174	782	782	1,565	3,521	7,432	7,041	4,303	39,118	42,402	46,130
<b>Cash Receipts by Source</b>	<b>53,583</b>	<b>20,011</b>	<b>17,324</b>	<b>14,077</b>	<b>22,731</b>	<b>17,062</b>	<b>13,596</b>	<b>34,428</b>	<b>18,605</b>	<b>21,986</b>	<b>24,549</b>	<b>14,688</b>	<b>272,559</b>	<b>297,888</b>	<b>330,252</b>
<b>Other Cash Flows by Source</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - capital	23,159	-	297	-	11,876	5,938	594	16,033	-	1,188	-	297	59,382	58,715	64,416
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	21,285	-	-	-	21,285	10,770	13,550
Increase (decrease) in consumer deposits	19	19	19	19	19	19	19	19	19	19	19	19	229	252	277
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Receipts by Source</b>	<b>76,761</b>	<b>20,030</b>	<b>17,640</b>	<b>14,096</b>	<b>34,626</b>	<b>23,019</b>	<b>14,209</b>	<b>71,765</b>	<b>18,624</b>	<b>23,193</b>	<b>24,568</b>	<b>14,924</b>	<b>353,455</b>	<b>367,624</b>	<b>408,495</b>
<b>Cash Payments by Type</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employee related costs	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,367	8,771	100,810	109,379	119,223	
Remuneration of councillors	530	530	530	530	530	530	570	570	570	570	597	6,630	7,227	7,877	
Collection costs	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Interest paid	-	-	2,289	-	-	4,148	-	-	3,719	-	-	4,148	14,303	15,442	16,833
Bulk purchases - Electricity	358	5,010	5,010	2,505	3,221	2,863	2,147	2,863	3,221	4,652	3,221	716	35,784	44,730	55,912
Bulk purchases - Water & Sewer	71	993	993	496	638	567	425	567	638	922	638	142	7,690	7,515	7,966
Other materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	468	780	1,560	936	1,404	1,092	1,248	1,404	2,808	1,248	2,028	624	15,601	16,660	17,792
Grants and subsidies paid - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants and subsidies paid - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General expenses	2,544	5,088	4,452	5,088	6,360	4,452	4,452	4,452	5,724	5,724	8,267	6,995	63,595	63,249	68,287
<b>Cash Payments by Type</b>	<b>12,338</b>	<b>20,768</b>	<b>23,200</b>	<b>17,922</b>	<b>20,520</b>	<b>22,019</b>	<b>17,210</b>	<b>18,223</b>	<b>25,047</b>	<b>21,483</b>	<b>23,092</b>	<b>21,992</b>	<b>243,813</b>	<b>264,202</b>	<b>293,891</b>
<b>Other Cash Flows/Payments by Type</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital assets	1,669	2,503	4,172	4,172	834	1,669	4,172	8,344	9,178	12,516	33,867	87,269	70,045	77,966	
Repayment of borrowing	-	-	1,976	-	1,976	-	-	-	1,976	-	-	1,976	7,504	8,308	8,744
Other Cash Flows/Payments	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	1,445	17,344	18,402	19,526
<b>Total Cash Payments by Type</b>	<b>15,452</b>	<b>24,716</b>	<b>30,794</b>	<b>23,540</b>	<b>26,137</b>	<b>25,275</b>	<b>20,324</b>	<b>23,840</b>	<b>36,812</b>	<b>32,106</b>	<b>37,053</b>	<b>59,281</b>	<b>356,330</b>	<b>360,956</b>	<b>400,127</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>61,309</b>	<b>(4,686)</b>	<b>(13,154)</b>	<b>(9,443)</b>	<b>8,489</b>	<b>(3,256)</b>	<b>(6,114)</b>	<b>47,925</b>	<b>(18,188)</b>	<b>(8,914)</b>	<b>(12,485)</b>	<b>(44,357)</b>	<b>(2,875)</b>	<b>6,668</b>	<b>8,368</b>
Cash/cash equivalents at the monthly/year begin:	7,877	69,186	64,500	51,346	41,902	50,391	47,136	41,021	88,946	70,758	61,845	49,360	7,877	5,002	11,670
Cash/cash equivalents at the monthly/year end:	69,186	64,500	51,346	41,902	50,391	47,136	41,021	88,946	70,758	61,845	49,360	5,002	11,670	20,039	

Source: Annual Budget (SA30 Budgeted Monthly Cash flows)

## Property Rates

Property rates are increasing over the medium term. The comparison of the property rates on the 2011/12 MTREF cash flow statement balances with the budgeted property rates as per the operating statements for the 2011/12 MTREF.

## Service Charges

Service charges are increasing over the medium term. A strong correlation exists for service charges of R125.12 million on the 2011/12 cash flow statement with the budgeted service charges as per the operating statements and the similar trend is observed for the outer 2 years of the MTREF.

## **Interest Earned**

The interest earned on external investments is increasing over the medium term. This is anticipated as it is likely that interest rates are going to hike in the months to come considering the recovery of the current economic conditions. The comparison of the interest earned of R1.7 million on the 2011/12 cash flow balances with the budgeted interest as per the operating statements for the same year. The same trend is noted for the 2 outer years of the MTERF.

## **Bulk Purchases - Electricity and Water and Sewer**

The bulk purchases in electricity, water and sewer are increasing over the medium term.

The comparison of bulk purchases of R42.87 million that appears in the 2011/12 cash flow statement shows that the amount balances with the budgeted bulk electricity, water and sewer that appear in the operating statements. A close correlation is noted between bulk purchases- electricity, water and sewer in the cash flow budget and operating statement.

## **Interest Paid**

The interest paid on external borrowings is increasing over the medium term due to the Municipality engaging in long term borrowings in each year over the MTERF. The comparison of interest paid of R14.3 million that appears in the 2011/12 cash flow statement shows that the amount is balancing with the budgeted interest that appear in the operating statement and a correlation between the statements exists with the same trend noted over the remainder of the MTERF. The increase in interest paid over the medium term reduces net cash available from operations which could be used to finance capital assets.

## **Repayment on External Borrowing**

The repayment on external borrowing is increasing over the medium term. The Municipality should note that this could place additional strain on the cash flow as it reduces net cash available from operations over the MTERF.

## **Finding**

The Municipality's cash flow projections relating to property rates and services charges are closely correlated. The Municipality is indicating that cash inflow will equate to 100 per cent of the budgeted operating revenue. The Municipality should however have to take the increase in debtors into account to be able to achieve the projected cash inflows.

## 2.9.5 Investments

**Table 22 Investments: 2007/08 - 2013/14**

Investment type R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	#N/A	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
Parent municipality									
Securities - National Government	-	-	-	-	-	-	-	-	-
Listed Corporate Bonds	-	-	-	-	-	-	-	-	-
Deposits - Bank	8,642	25,485	4,987	21,000	21,000	21,000	4,000	10,000	20,000
Deposits - Public Investment Commissioners	-	-	-	-	-	-	-	-	-
Deposits - Corporation for Public Deposits	-	-	-	-	-	-	-	-	-
Bankers Acceptance Certificates	-	-	-	-	-	-	-	-	-
Negotiable Certificates of Deposit - Banks	-	-	-	-	-	-	-	-	-
Guaranteed Endowment Policies (sinking)	-	-	-	-	-	-	-	-	-
Repurchase Agreements - Banks	-	-	-	-	-	-	-	-	-
Municipal Bonds	-	-	-	-	-	-	-	-	-
<b>Municipality sub-total</b>	<b>8,642</b>	<b>25,485</b>	<b>4,987</b>	<b>21,000</b>	<b>21,000</b>	<b>21,000</b>	<b>4,000</b>	<b>10,000</b>	<b>20,000</b>
Entities	-	-	-	-	-	-	-	-	-
Securities - National Government	-	-	-	-	-	-	-	-	-
Listed Corporate Bonds	-	-	-	-	-	-	-	-	-
Deposits - Bank	-	-	-	-	-	-	-	-	-
Deposits - Public Investment Commissioners	-	-	-	-	-	-	-	-	-
Deposits - Corporation for Public Deposits	-	-	-	-	-	-	-	-	-
Bankers Acceptance Certificates	-	-	-	-	-	-	-	-	-
Negotiable Certificates of Deposit - Banks	-	-	-	-	-	-	-	-	-
Guaranteed Endowment Policies (sinking)	-	-	-	-	-	-	-	-	-
Repurchase Agreements - Banks	-	-	-	-	-	-	-	-	-
<b>Entities sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated total</b>	<b>8,642</b>	<b>25,485</b>	<b>4,987</b>	<b>21,000</b>	<b>21,000</b>	<b>21,000</b>	<b>4,000</b>	<b>10,000</b>	<b>20,000</b>

Source: SA15 (*Investment particulars by type*)

Analysing the investment closing balances over the medium term, it is noted that the balances are increasing. The line item contributing to the investment balance are the deposits at the banks. The increasing trend is not consistent with the cash flow budget as no indication on the cash flow budget exists to indicate the increase over the MTERF. During the 2011/12 financial year, the Municipality is projecting a return on investment balance of 19.3 per cent.

In the 2012/13 financial year, a return of 83.7 per cent is anticipated while a return of 44.9 per cent is forecasted for 2013/14. The year-on-year return on investments is far above the expected recovery of the economy. The Municipality would be advised to review and align its cash flow budget with investments and the interest to be earned on these investments over the medium term.

### Response by Finance:

The increase in investment does not only reflect the return on investment. Within the first few months of the year we use our own funds to finance the expenditure which decreases investments. In the third or fourth the tender is approved for the loans for the specific year. When receive this amount is then placed back in investments.

## 2.9.6 Cash and Investments

**Table 23 Application of Cash & Investments: 2007/08 - 2013/14**

Description R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Cash and investments available</b>									
Cash/cash equivalents at the year end	20,319	31,071	7,362	(45,397)	(45,397)	(45,397)	5,002	11,670	20,039
Other current investments > 90 days	–	–	–	71,097	71,097	71,097	(0)	(0)	0
Non current assets - Investments	–	–	–	–	–	–	–	–	–
<b>Cash and investments available</b>	<b>20,319</b>	<b>31,071</b>	<b>7,362</b>	<b>25,700</b>	<b>25,700</b>	<b>25,700</b>	<b>5,002</b>	<b>11,670</b>	<b>20,039</b>
<b>Application of cash and investments</b>									
Unspent conditional transfers	3,727	8,428	7,149	5,000	5,000	5,000	5,000	5,000	5,000
Unspent borrowing	–	–	–	–	–	–	–	–	–
Statutory requirements	–	–	–	–	–	–	–	–	–
Other working capital requirements	4,347	10,340	(2,711)	23,061	23,082	23,082	6,232	6,772	(14,364)
Other provisions	–	–	–	–	–	–	–	–	–
Long term investments committed	–	–	–	–	–	–	–	–	–
Reserves to be backed by cash/investments	–	–	–	–	–	–	–	–	–
<b>Total Application of cash and investments</b>	<b>8,074</b>	<b>18,768</b>	<b>4,438</b>	<b>28,061</b>	<b>28,082</b>	<b>28,082</b>	<b>11,232</b>	<b>11,772</b>	<b>(9,364)</b>
<b>Surplus (shortfall)</b>	<b>12,245</b>	<b>12,302</b>	<b>2,924</b>	<b>(2,361)</b>	<b>(2,382)</b>	<b>(2,382)</b>	<b>(6,230)</b>	<b>(102)</b>	<b>29,403</b>

Source: (A8 ResRecon)

Over the medium term a shortfall exists after taking into consideration unspent conditional grants and other working capital requirements except for 2013/14. This is a concern as it indicates that the Municipality would not have sufficient cash available after taking commitments into account. In order to maintain a surplus the Municipality would either have to enhance revenue collection, and strongly consider a belt tightening strategy to sustain the cash and cash equivalent position over the MTERF.

## 2.9.7 Budgeted borrowing

**Table 24 Budget Borrowing: 2007/08 - 2013/14**

Borrowing - Categorised by type R thousand	2007/8	2008/9	2009/10	Current Year 2010/11			2011/12 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2011/12	Budget Year +1 2012/13	Budget Year +2 2013/14
<b>Parent municipality</b>									
Long-Term Loans (annuity/reducing balance)	52,775	82,965	78,065	98,836	98,836	98,836	96,267	115,734	136,990
Long-Term Loans (non-annuity)									
Local registered stock									
Instalment Credit									
Financial Leases	143	137	40	197	197	197	40	40	40
PPP liabilities									
Finance Granted By Cap Equipment Supplier									
Marketable Bonds									
Non-Marketable Bonds									
Bankers Acceptances									
Financial derivatives									
Other Securities									
<b>Municipality sub-total</b>	<b>52,918</b>	<b>83,103</b>	<b>78,105</b>	<b>99,033</b>	<b>99,033</b>	<b>99,033</b>	<b>96,307</b>	<b>115,774</b>	<b>137,030</b>
<b>Entities</b>									
Long-Term Loans (annuity/reducing balance)									
Long-Term Loans (non-annuity)									
Local registered stock									
Instalment Credit									
Financial Leases									
PPP liabilities									
Finance Granted By Cap Equipment Supplier									
Marketable Bonds									
Non-Marketable Bonds									
Bankers Acceptances									
Financial derivatives									
Other Securities									
<b>Entities sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Borrowing</b>	<b>52,918</b>	<b>83,103</b>	<b>78,105</b>	<b>99,033</b>	<b>99,033</b>	<b>99,033</b>	<b>96,307</b>	<b>115,774</b>	<b>137,030</b>

Source: SA-17 (Borrowing)

The Municipality's external borrowings are increasing in each year over the medium term and the Municipality has made allowances for interest and redemption. The Municipality is forecasting interest repayments on outstanding external borrowings of 14.9 per cent in 2011/12 and 13.3 per cent in 2012/13 and 12.3 per cent in 2013/14. This forecast exceeds the prime rate of interest by 5.9 per cent which is fairly high in comparison with the current average lending rate on long term fixed loans by DBSA and INCA of 11 to 12 per cent.

## **2.9.8 Funding Compliance**

The assessment of the ratios below relates to Table 7, funding compliance table, on page 15 of this document.

### **Cash and Cash equivalents**

The cash and cash equivalents over the medium term is increasing over the MTERF. The balances achieved over the medium term are attributable to the Municipality engaging in external borrowing over the medium term to fund its capital assets.

### **Cash and Investments less applications**

The cash less applications goes into overdraft in 2011/12 and 2012/13 and returns to a surplus in 2013/14. This indicates that the Municipality will not have enough cash to repay unspent conditional grants and other working capital requirements in 2011/12 and 2012/13.

### **Cash at year end/monthly employee supplier payments**

The cash at year end versus employee and supplier payments is increasing over the medium term from 0.3 times in 2011/12 to 0.9 times in 2013/14. The ratio over the MTERF does not reach 1.0 which is a concern as it indicates that on average over the medium term, the Municipality will not be able to meet the average monthly supplier and employee payments as they become due.

### **Cash receipts % of Ratepayer & Other revenue**

The cash receipts as a percentage of ratepayers and other revenue is 96.4 per cent in 2011/12 and increases to 99.8 per cent in 2012/13 and decreases to 90.6 per cent in 2013/14. This ratio indicates that the Municipality can, on average generate 95.6 per cent, cash on all billed revenue over the medium term. The net cash flow from operations in all the years of the medium term remained positive. Maintaining this rate would sustain the liquidity risk, but should also manage debtors and creditors effectively over the MTERF to enhance cash inflow and improve the liquidity position of the Municipality.

### **Borrowing receipts % of Capital expenditure**

The accepted norm of borrowing is that capital expenditure funded by external borrowing should not exceed 100 per cent. Over the medium term the Municipality is partially funding the capital budget with external borrowings. The ratio increases over the medium term from 76.3 per cent in 2011/12 to 95.1 per cent in 2012/13 and 100.00 per cent in 2013/14. The Municipality places reliance on external borrowing to finance capital expenditure. In future this could cause a reduction in cash surpluses as the Municipality would be focussing their cash flow on repayment on external borrowing and finance costs.

## **PART 3: THE ASSESSMENT OF THE DRAFT IDP, BUDGET AND ITS WORTHWHILENESS**

### **3.1 RESPONSIVENESS**

This section:

- Provides an overview of the socio-economic advantages and challenges of the Municipality, highlighting key areas of concern (indicators that deviate from the norm) and potential;
- Evaluates whether the Municipality has a clear understanding of their socio-economic reality and conducted a needs analysis by means of the public participation process and how this translates into strategic priorities and policy objectives;
- Identifies whether credible data sources was used to inform municipal policy directives;
- Assesses the extent to which the IDP priorities are reflected in the proposed budget and if the methodology used in developing the plan and budget can be considered worthwhile; and
- It further assumes that resource planning and allocation is informed by methodologies which will ensure that best value for money. It attempts to identify these strategies and the extent to which these have been used by the Municipality. In doing so it will attempt to ask how the planning and implementation of the IDP and budget will ensure Value for Money?

#### **3.1.1 Socio-economic reality evident in the Municipality:**

It is projected that the economy needs to grow at 5 per cent per annum for the Municipality to increase its rates base, halve unemployment and to be able to service its loans by 2016.

The Municipality estimates its unemployment rate at 40 per cent and even higher during out of season period. Also indigents are estimated to be around 20 per cent of the households.

The biggest economic sectors are Agriculture, Manufacturing and Wholesale in terms of GDP contribution. The largest employment sectors in 2007 were agriculture; hunting; forestry and fishing (36.1 per cent) and community; social and personal services at (10.5 per cent).

Theewaterskloof Municipality's competitive advantage includes the following:

- The Municipality is dominated by agriculture; both primary production and manufacturing. Agricultural production generates 36.5 per cent of the local economy. Manufacturing in the area is largely agri-processing (90 per cent of turnover). Beverages account for 41 per cent of the manufacturing sector with well-known fruit juice brands and Appletiser located in the Grabouw-Elgin Valley and SAB's largest malt processing plant in the southern hemisphere located in Caledon.

- A further 37 per cent of the area's manufacturing is classified as processed canned fruit and vegetables. This sector, together with the fresh fruit industry, accounts for the bulk of the exports out of the area.
- The wholesale & retail trade, catering & accommodation sector has been one of the fastest growing sectors in the area. Most of this growth has been concentrated around the local tourism industry. The retail sector is very dependent on the agricultural sector, in so far as much of the local money in circulation is earned from this sector.
- The backlog in infrastructure is estimated at R473.97 million by the Municipality. This is as a result that certain infrastructure and bulk services have already exceeded its design capacity.
- Infrastructure backlogs and maintenance requires between R60 million to R72 million per annum in the next ten years. The Municipality reports that with its narrow rates base, this would incur a deficit of R50 million on the operating budget by 2016. This poses challenges to the Municipality coupled with the fact that the Municipality is not providing electricity to all its towns which is a revenue foregone.
- The backlog pertaining to housing is 9 306 as per housing applications, 296 households do not have water on site, 524 households do not have electricity, and number of households for sanitation backlogs were not provided.
- Continued challenge on long term planning as available data is outdated.

### **3.1.2 Status of Spatial Development Framework**

The SDF is in place and the Municipality is in a process of updating the framework as per the SDBIP of the Municipality. The Municipality is requested to report on the progress status in this regard.

Chapter 4 of the IDP provides a high level summary of the SDF for the Municipality. Details on spatial vision, action to be taken and spatial projects for each town is provided. Caledon is promoted as the first order urban node while Grabouw is promoted as the first order agri-industrial and Tourism node.

The spatial issues focus on human settlement strategy, Local Economic Development Strategy, social and spatial integration strategy, infrastructure etc.

## **3.2 ASSESSMENT OF IDP STRATEGIES AND PRIORITIES**

This section assumes that resource planning and allocation is informed by methodologies which will ensure the best value for money. This section attempts to identify these strategies and the extent to which these have been used by the Municipality.

The Municipality is prioritising the whole community needs; this is evident in the Community Needs Analysis that is attached in the IDP. The analysis is done per ward and priorities are rated according to their importance. This process involves cooperation of Ward Committees,

Town Advisory forums and the community. These are further translated into Directorates' priorities.

The Municipality further indicates the following priorities per year:

- The Municipality has introduced a Town Management Model to be more responsiveInteraction with customers and consumers of each town is done bi-monthly whereas communication with corporate stakeholders is done quarterly through newsletters.
- In addition to these IDP consultations, Imbizos are also held with communities and stakeholders. This shows that the Municipality does not only communicate with community during the IDP process. Website is also updated with the relevant information.
- The Municipality sources its data from Quantec, Community Survey 2007 and even its own estimates.

Housing Data is informed by Survey conducted by Land Mapping Solutions. The backlogs in housing are identified for each town. According to the Municipality, the survey reflects that more than 40 per cent of households in Grabouw, Villiersdorp and Botrivier live in shacks. The Survey indicates the need to manage squatter / informal settlement control.

### **3.2.1 Link to national and provincial priorities (Alignment to Local Government agenda: 5 KPs)**

The budget of Theewaterskloof Municipality speaks to the objectives of PGDS, NSDF, Provincial Strategic Plans and objectives for 2010-2019, where emphasis is placed to address poverty alleviation and improve livelihoods.

Alignment with NSDF is in terms of infrastructure, where focus is on development in areas that are categorised as high growth areas; Grabouw Sustainable Development is an example where the upgrading of infrastructure compliments RDP, GAP housing and CDB development.

The IDP of the Municipality also speaks to the 12 National outcomes and takes these into consideration in the drafting of their 2011/12 IDP and Budgets.

Furthermore, the budget and The IDP speak to the National Key Performance Areas.

## **3.3 IDP/BUDGET ASSESSMENT**

The table that follows depicts the proposed capital expenditure budget for the 2011/12 MTREF period of the Municipality. From the figures captured, it is clear that Basic Services and infrastructure development accounts for the biggest share of the budget in the 2011/12 MTREF period.

**Table 25 Medium Term Revenue and Expenditure Framework: Capital Expenditure Budget**

Function (R'000)	Budget			% share of Capital Budget		
	2011/12	2012/13	2013/14	2010/11	2011/12	2012/13
IDP Alignment	Good Governance and Public Participation			2 500	0%	0%
	Municipal transformation and organisational development	1 690	230		2%	0%
	Municipal Financial Viability and Management	2 212			3%	0%
	Basic services delivery and Infrastructure development	81 217	69 815	75 416	93%	100%
	Promotion of Tourism and Local Economic Development	2 150			2%	0%
	Human Development			50	0%	0%
	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>87 269</b>	<b>70 045</b>	<b>77 966</b>	<b>100%</b>	<b>100%</b>

*Theewaterskloof Draft Budget Table SA6*

The table below depicts the proposed operating expenditure budget for the 2011/12 MTREF period of the Municipality.

**Table 26 Medium Term Revenue and Expenditure Framework: Operating Expenditure Budget**

Function (R'000)	Budget			% share of Capital Budget		
	2011/12	2012/13	2013/14	2010/11	2011/12	2012/13
IDP Alignment	Good Governance and Public Participation	47 432	50 887	54 994	18%	17%
	Municipal transformation and organisational development	1 200	1 000	1 000	0%	0%
	Municipal Financial Viability and Management	30 957	30 730	33 570	11%	10%
	Basic services delivery and Infrastructure development	159 673	175 998	197 456	59%	60%
	Promotion of Tourism and Local Economic Development	20 835	22 463	24 301	8%	8%
	Human Development	10 870	11 755	12 764	4%	4%
	<b>TOTAL CAPITAL EXPENDITURE</b>	<b>270 967</b>	<b>292 833</b>	<b>324 085</b>	<b>100%</b>	<b>100%</b>

*Source: Theewaterskloof Municipality 20010/11 Draft Budget*

The Operating Budget is more dispersed yet still marginally in favour of KPA on Basic Services and is accounting for 59 per cent in 2011/12 and is increasing to 61 per cent in 2013/14. An even yet notable spread can be seen in the areas of Governance and Administration (18 per cent), Municipal Financial Viability (11 per cent) and Tourism (8 per cent).

## The Strategic objectives

### KPA: Service Delivery and Infrastructure Delivery

The Strategic Objectives relating to Service Delivery and Infrastructure Delivery aims to ensure adequate provision and maintenance of infrastructure and bulk infrastructure development including housing. These ties with the LGTAS, national/provincial priorities, socio-economic reality, public participation needs analysis of providing basic services and infrastructure.

The strategic objective experiences the constraints on inability to resolve infrastructure and bulk services over the short term and the state of water and sanitation bulk infrastructure is critical in Theewaterskloof Municipality. Water Purification Works requires upgrading throughout the area and Grabouw is currently running on full capacity, similar backlogs exist for sanitation. All five of the Municipal sewerage treatment works require upgrades. Slow delivery of housing is mainly due to insufficient funding from the Department of Human

Settlement and land unavailability in some areas and the housing backlog is estimated at 9 306 houses.

For all the other services i.e. water, electricity, sanitation, the Municipality reported that households have received minimum service levels and above service levels. With regards to refuse, the information was not provided with regards to access levels in the Municipality. The IDP further speaks to backlogs per service delivery disaggregated per ward which needs to be addressed.

The Strategic objective seems well resourced in the proposed budget. From the capital expenditure budget, this KPA's share increases from R81.22 million or 93 per cent in 2011/12, however it decreases to R75.41 million in 2013/14. On the operating expenditure budget, the KPA's share of budget increases from R159.6 million or 59 per cent of the budget and is projected to increase to R197.46 million or 61 per cent in 2013/14.

The capital budget is in line with the Municipality's estimated cost of between R60 million and R72 million in capital requirements per year and it should be noted that the Municipality has serious maintenance backlogs as well as 69.5 per cent of the budget is for new assets. Capital expenditure will however, be compromised by the narrowing tax base, increasing number of indigents and unemployment as well as migration into the area.

**Table 27 Basic Services as prioritised in the IDP and Budget**

Issue highlighted	2011/12 MTREF		
	Targeted intervention	Level of Prioritisation: % in Capex over MTREF	Level of Prioritisation: % in Opex over MTREF
<b>Basic Services:</b>	<b>New connections over the MTREF</b>		
Electricity		7.7	17
Sanitation		23.1	6.6
Refuse removal		2.4	6.3
Water		12.3	11.4

The table further highlights the basic services as prioritised in the IDP and the budget. Electricity is the most prioritised item at 17 per cent followed by water at 11.4 per cent in the operating expenditure budget. In the capital expenditure budget, sanitation (23.1 per cent) and water (12.3 per cent) infrastructure are the most prioritised items followed by electricity infrastructure.

### **Free Basic Services**

Table A10 indicates that the cost of providing free basic services will amount to R14.88 million in 2011/12 increasing to R27.21 million in 2013/14 and 7 000 households will benefit from free basic services.

The total revenue cost of providing free basic services (total social package) will amount to R38.08 million in 2011/12 and is projected to increase to R44.6 million in 2013/14.

### **KPA: Promotion of Tourism and Local Economic Development**

The Strategic objective Local Economic Development aims at the following: SMME Development, Tourism, Business retention and to identify natural resources to be exploited.

The strategic objective experiences constraints on immediate funding to enable the area to take advantage of the development of opportunities in the long run.

LED is prioritised in the operating expenditure budget at R20.84 million or 8 per cent in 2011/12 and is expected to increase to R24.30 million in 2013/14. From the capital expenditure of R2.15 million or 2.1 per cent is allocated for this KPA.

The following have been prioritised by the Municipality on Local Economic Development:

To develop a spatial and an environmental management plan that promotes sustainability and growth, Sustainable Energy Strategy.

Establish a Wind Farm.

The risks that will impact on this KPA are infrastructure backlogs and maintenance as well as the eroding tax base and increasing numbers of indigents. Furthermore, the inability of the economy to grow at 5 per cent will have an impact on employment creation in the municipal area.

Efforts therefore, should be directed at reducing the infrastructure backlogs and thereby promoting infrastructure for economic development. Also, incentives to attract big businesses or investment to the area should be in place.

Looking at the competitive advantage of the area, there is opportunity for increased economic growth.

Focus should be on ways to retain existing employment through restructuring key existing sectors/clusters such as Agriculture, Aquaculture, Manufacturing and retail.

### **KPA: Good Governance**

This KPA focuses on functionality of Ward Committees and public participation. As already mentioned, the Municipality has developed a Town Management Model which ensures that frequently communication with communities. The website is functioning and is regularly updated with financial reports (Monthly, Quarterly, Mid-year, Annual Report, Budget, IDP, Policies, etc). Monthly reports are tabled at Ward Committees every month and Periodic Corporate Newsletters are issued and the Municipality does adhere to legislations in terms of reporting.

This KPA is prioritized at R47.4 million or 18 per cent of the total operating expenditure budget in 2011/12 and is projected to increase to R54.9million in 2013/14.

The benefit of this in the budget is that it will allow the Municipality to develop credible policies that will lead to effective Ward Committees that will translate into more effective public participation processes with communities.

### **3.4 SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS**

The Town Management Model ensures that communication with communities takes place more frequently. Ward committees are functioning properly.

The Municipality is taking a long term view on infrastructure backlog and maintenance requirements. Capital requirement cost is estimated between R60 million and R72 million per annum over the next years.

The planning of the Municipality does respond to the backlogs. However, this will be compromised by the narrowing tax base, increasing number of indigents and unemployment as well as migration into the area.

There is evidence on increasing prioritisation and implementation of the LED.

There is a need to focus on retaining existing employment or attract big businesses through restructuring key existing sectors/clusters such as Agriculture, Aquaculture, Manufacturing and Retail.

### **CONCLUSION: SUMMARY OF FINDINGS**

The Provincial Treasury has noted that the Municipality has compiled the budget on required formats but there are some of the SA sheets that were not completed.

The operating budget seems realistic when compared to the performance of the previous years but the draft capital budget is a concern given continuous under spending in previous financial years.

There is a need for capital project delivery plan to ensure that the Municipality improves on the capital expenditure.

The debtors' collection period is increasing and that can have future cash flow implications if no measures are put in place to reduce the collection period and exacerbating the concern is the increase in debtors.

It is further noted that the planning of the Municipality does respond to the backlogs and there is evidence on increasing prioritisation and implementation of the LED.

## **ANNEXURE A**

### **FEEDBACK ON INFRASTRUCTURE MANAGEMENT PRACTICES**

Municipalities are the custodians of community infrastructure which is the cornerstone of social upliftment, public health and safety. Infrastructure is essential to achieve the increased levels of economic growth through job creation and the establishment of well serviced areas conducive for economic development.

Infrastructure assets and community facilities are complex by nature and require robust management practices. Sound knowledge of location, characteristics, estimated lives, capacity and utilization, costs characteristics, risk exposure and safety requirements of assets is required to best manage them and make sustainable improvements in service delivery.

An infrastructure asset management practices checklist (Annexure E) can assist a Municipality in determining whether they have the fundamentals in place.

Improving upon infrastructure management practices is not a once-off activity, but rather a continuous process that requires commitment at all levels. In planning for improvement the municipality should pursue reasonable milestones that can be achieved. This means that these milestones should be coupled to reasonable timeframes, and has sufficient budget allocation, if there is a financial implication.

The Checklist for Core Infrastructure Asset Management Practices (Annexure E of GUIDELINES FOR INFRASTRUCTURE ASSET MANAGEMENT IN LOCAL GOVERNMENT 2006 – 2009) issued by the Department of Cooperative Governance was completed by the Theewaterskloof Municipality.

The response of the checklist was weighted and the following scores for Core Infrastructure Asset Management Practices were achieved by the Theewaterskloof Municipality. It must be noted that weighting and the ultimate scoring serves only as an indication because the weighting and therefore the scoring is subjective.

It should also be noted that the responses requested were limited to 3 options, namely “yes”, “no” or “partly”. The “partly” was weighted as 50% of the “yes” which might be misleading. The “partly” response could be anything larger than 0 and less than 100%.

This scoring will form a benchmark assessment for the Municipality for the future. The purpose of the assessment is also to provide guidance to the Municipality on steps required to improve infrastructure management practices.

If additional resources are required to improve the management of infrastructure assets then the Municipality should consider this during the budget process.

Overall	63%
Infrastructure asset knowledge	57%
Strategic planning	75%
Current IM practices	81%
Asset management plan	0%
Information systems	54%
Organisational and commercial tactics	100%

Concern exists in terms of infrastructure management practices relating to:

- Infrastructure asset knowledge
- the Asset Management Plan
- Information systems

From the above and the completed checklist and comments the following activities must be attended to, to improve the infrastructure management practices of the Municipality. Some of the activities below are already being performed by the Municipality on a partial basis:

- 1 Put in place an asset register for infrastructure
- 2 Ensure the asset take-on value, date, age, capacity and materials type are recorded
- 3 Ensure all the infrastructure assets are recorded in the asset register
- 4 Ensure groupings is possible to reflect asset groups, facility and network information
- 5 Obtain as-built drawings for all assets
- 6 Record planned maintenance activities against assets
- 7 Record service failures/customer complaints/breakages against assets
- 8 Put in place a corporate risk policy and plan that addresses infrastructure
- 9 Actively undertake infrastructure risk mitigation
- Put in place a CAPEX plan that addresses backlogs, service extensions, renewals and
- 10 upgrading
- 11 Practice preventative maintenance for critical assets
- 12 Prepare IAMPs
- 13 Draw up IAMP to support the achievement of corporate strategic goals
- 14 Draw up IAMP with a lifecycle plan for the management of infrastructure
- Draw up IAMP to provide a financial plan indicating how infrastructure service objectives
- 15 will be financed
- 16 Draw up IAMP to provide an infrastructure management risk plan
- 17 Draw up IAMP to provide an infrastructure management practices improvement plan

- 18 Draw up IAMP to address at the needs and level of understanding of key stakeholders
- 19 Make the asset register user-friendly, with easy reporting capabilities
- 20 Link the electronic asset register to the financial system if available
- 21 Link the electronic asset register to the GIS system if available

## **BUDGET FOR THE MAINTENANCE OF INFRASTRUCTURE ASSETS**

Maintenance budgets should be derived from a detailed assessment of resources used, ie detailed activities per asset should be listed, programmed with associated resources and budgets.

Where the above is not available the budget can be informed by appropriate benchmark data like the estimated median costs for maintenance as provided per Annexure D of GUIDELINES FOR INFRASTRUCTURE ASSET MANAGEMENT IN LOCAL GOVERNMENT 2006 – 2009.

The above annexure indicates maintenance expenditure as a percentage of Capital Replacement Cost. Depending on the type of asset and the asset mix the median costs could typically vary between 1% and 3% of the total infrastructure asset Capital Replacement Cost.

According to the completed checklist the replacement cost of infrastructure assets of the Theewaterskloof Municipality was R1 773 542 780.

Based on median costs the maintenance budget depending on the mix of assets could be between R17 735 427 and R139 959 675 per year. The actual Repair and Maintenance expense of R17 688 294 of the unaudited June 2010 Statement of Financial Performance is therefore nearly in line with these median costs.

## **STATUS OF MIG EXPENDITURE**

The MIG expenditure at the end of January 2011 was R10 702 191 which represents 60% of the 2010/11 allocation up to June 2011.

Expenditure occurred on the following projects during 2010/11:

<b>Project No</b>	<b>Project Description</b>		<b>MIG Value</b>	<b>Spent 2010/11 to end January 2011</b>
172202	Grabouw	Upgrade Waste Water Treatment Plant	R26,315,578	R380,564
123522	Grabouw	Upgrade Bulk Water Infrastructure Capacity Ph4	R14,753,391	R1,098,806
172026	Grabouw (Budget Maintenance; project 160629)	Rehabilitate 6ML/d Extension to Water Purification Works	R6,373,928	R2,019,345
154106	Grabouw	New Bulk Sewer Upgrade	R8,796,259	R3,361,248
178856	Botrivier	Rehabilitate Bulk Water Supply	R4,844,867	R3,842,229
	<b>R17,940,000</b>	<b>% spent of allocation</b>	<b>59.66%</b>	R10,702,191